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AUTHENTICITY OF ECONOMIC PHENOMENA IN THE CONTEXT OF INCREASING INFLUENCE OF PSYCHOLOGISTIC APPROACH

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Abstract. *The subject of this paper is the relationship between the social and the psychological, with emphasis on the scientific basis of strengthening the influence of psychology on the understanding of the economic sphere of social life. In this regard, the paper gives a critical review of different concepts of economics as the science of behavior, i.e. its rootedness in the science of behavior. Justification of efforts to make economics retain its traditional distance from psychology is supported by the idea of the necessary recognition of interactive relationships and unintended consequences of behavior of economic actors. At the same time, the scientific relevance of the notion that the study of economic phenomena should be approached from the aspect of their social autonomy, uniqueness, and specificity is substantiated by a set of epistemological and logical inconsistencies of views of one-way causality from the psychological to the social, thereby focusing the methodological starting point of modern economic theory in the direction of denying attempts to identify the individualistic with the psychologistic method.*

Key words: *psychologism, the science of behavior, methodological individualism, institutional individualism.*

INTRODUCTION

Economic literature has, to a considerable extent, accepted the idea of economics as the science of behavior, and that the science dealing with the study of human behavior is important for its successful development. The supremacy of the psychological factors for the purposes of comprehension and explanation of economic phenomena, as well as the acceptance of the assumption that psychology is the basis of the overall philosophy and all social sciences, is generally described by the concept known as psychologism, while the term “psychological imperialism” is used primarily in terms of equivalent counterbalance

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to “economic imperialism”. One of the earliest known authors who advocated a strong influence of psychology was John Stuart Mill (1806-1873). In his opinion, the laws of society are nothing but actions and passions of human beings, i.e. the laws of individual human nature (Mill, [1843] 1974, pp. 879, 907). Contribution to the psychological determination of the subject of economics belongs to the definition provided by Lionel Robbins (Robbins, 1962, p. 16), stating that “economics is the science which studies human behavior as a relationship between ends and scarce means which have alternative uses”. As the economic science is currently still dominated by *mainstream economics*, which constantly confirms its scientific status and superiority over other forms of economic thinking (Manić, 2009, p. 146), this understanding of the subject of economics strengthened the position of neoclassicism and made it retain the unchanged method and roots – methodological individualism, balance, and efficiency.

Contrary to this definition of economic science and its inherent view that the functioning of the economic system can be explained by focusing on the behavior of individuals as the starting point, there is an idea about economics as a science with its own subject, independent of any science of behavior. The focus here is on the affirmation and popularization of efforts aimed at preserving the traditional distance of economics from psychology, which bases its analytical framework on the correct understanding of the economic ontology. Therefore, the aim of this paper is to reflect on the relevance of the standpoint, according to which economics can, under the impact of psychology, lose autonomy and specificity of its subject. This aim will be achieved by testing the hypothesis that there are problems in economics, which are not related to the sphere of behavior and cannot be reduced to the “action” of psychological laws in the economic sphere. In this regard, the research will focus on the issue of the concept of society and social phenomena, with special emphasis on logical and empirical sustainability of the view that the study of economic phenomena should be approached from the point of their social autonomy, uniqueness, and specificity. Arguments about one-way causality between “the psychological” and “the social” will be confronted with the ideas about the dynamic wholeness and integrity of the economic system, and the related specificity of the subject of economics. To this end, emphasis will be placed on the affirmation of those theoretical approaches that challenge the beliefs on the equalization of the individualistic with the psychologistic method, taking into account the results of unintended effects of individual actions in the circumstances of the inextricable links between economic actors and their institutional environment.

1. THE RELATIONSHIP BETWEEN THE SOCIAL AND THE PSYCHOLOGICAL

Generally speaking, there are two extreme views of the relations between social sciences and psychology. On the one hand, there is a strong trend of strengthening the position of psychologism, which assumes that psychology is the basis of the overall philosophy and all social sciences. On the other hand, the dignity of the social sciences could be defended by the thesis that they are relatively independent of the psychological assumptions, and that psychology can be treated not as the basis of all the social sciences, but as one of the social sciences (Popper, [1957]1961, p. 142).

The first concept is based on the belief that psychologism rests on the idea of reductionism, according to which the “higher level” phenomena can be explained by the “lower level” phenomena, which ultimately means that all phenomena will be explained in

terms that are used in physics, in accordance with the table of reduction below (Hudik, 2011, p. 149).

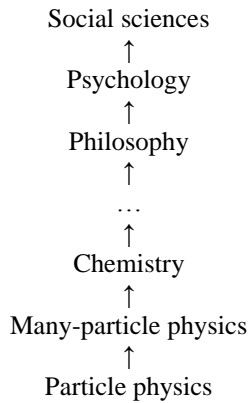


Fig. 1 Table of reduction

Although the very nature of science strives towards unique knowledge, which is, in itself, a form of reductionist understanding of the phenomenon, it is clear that it is impossible to reach a level that means a reduction of all sciences to the level of physics (Popper & Eccles, 1983; Kauffman, 2008). Among the arguments used to contest reductionism in science, one has to emphasize the view that starts from the concept of downward causation (Campbell, 1974). It refers to the existence of a causal effect in the sense that the “higher level” structure can influence the “lower level” elements, which, *inter alia*, disputes the existence of one-way causality from “the psychological” to “the social”, *i.e.* refutes the idea on reducing “the social” to “the psychological”. The second argument highlights the fact that social phenomena are not subject to individual choice, but that they occur as a result of interactions that take place between individuals, where each individual has limited power to influence them. Accordingly, it can be concluded that psychology is irrelevant to social theory, since the interpretation of what one has chosen to do is not helpful in explaining the phenomena that no one chose and that are the consequences of interactive activities of a large number of individuals.

Based on the foregoing, it can be concluded that the problem of individual behavior is of a technical nature, bearing in mind primarily that it is a choice of means to achieve goals. In contrast, the problem of theoretical social science is not of a technical nature (Neumann & Morgenstern, 1953, p. 9), while not denying that individuals usually experience the achievement of their goals as a technical problem. A key challenge for the social sciences is that individuals, following different goals, fail to establish control over the final outcome of interactions. Although individuals start economic activity in order to overcome the situation of insufficient satisfaction and maximize their usefulness, that process cannot be realized independently and in isolation. Therefore, from the perspective of social sciences, the key problem is the one of coordination, not optimization. Their task is to explain how coordination is achieved between mutually dependent individual goals and plans, which, among other things, implies the need to explain the functioning of spontaneous order.

The issue of explicative primacy can go in the opposite direction, when primacy is given to “the social” in relation to “the psychological”. At first glance, it is a form of antireductionism (Golubović, 2011, p. 135), since the holistic understanding of the functioning of interactive relationships implies that the properties of a given system cannot be explained solely by the characteristics of its component parts. However, although the methodological holism enabled the creation of highly relevant concepts of a number of socio-economic phenomena (Kitanović & Petrović, 2008, p. 10), there is reason to fear that its uncritical use is nothing more than a kind of reductionism in economic research (Hodgson, et al., 1994, p. 64). Firstly, due to the lack of precision, the use of holistic concepts must be constantly controlled by using the methods of observation and, on this basis, respect for all the specificities and concrete instances in the development of social structures. Otherwise, holism, separated from its empirical base, can easily become “loose” and uncontrolled speculation (Wilber & Harrison, 1978, p. 83).

As another argument against the primacy of the social over the psychological, there is the fact that social collectives must always assume the existence of individuals, who can create and consciously reform institutions. At the same time, we have to assume that individuals follow certain rules of behavior, i.e. that the behavior of individuals is strongly influenced by the rules and events (Dossi & Nelson, 1994, p. 157). It turns out that the rigid position in defining the primary explanatory factor necessarily raises the question of “*infinite regression*”, which entails constant movement within a vicious circle, without any possibility to come out of it. In fact, from the perspective of extremely conceived holistic methodological procedure, individuals’ goals can be explained by the action of institutions. However, is it possible to ignore the fact that these institutions emerged as a result of the synergistic effect of some previous individuals, whereby those previous individuals also acted under the guise of some “older” institutions, etc.? Hence it follows that any determination on the issue of primacy – whether institutional or individual – is analogous to the question of what came first – the chicken or the egg (Hodgson, 1988, p. 64).

The problem of “infinite regression” in the context of debate on the primacy of the psychological or the social, in relation to the interpretation of the institutional changes, among other things, includes taking a stance on the character of human nature and psyche. Specifically, institutional changes from the perspective of psychologism are caused by changes in human nature. This, however, brings to the fore the issue of the causes of changes in human nature itself. Supporters of reductionism will look for the causes at the lower level, and may bring them in connection with the consequences of biological evolution. However, this answer seems rather implausible, given that evolution takes place too slow to “count on” relatively frequent institutional changes. At the same time, the idea that the human mind actually adapts to the functioning of the institutions is a serious problem facing the advocates of psychologism. In the event that such arguments are “declared” correct, then, as stated by Hudík (2011, p. 149), it can be concluded that social phenomena are not the product of psychological laws, but that, on the contrary, they are the ones that shape the human mind.

2. PSYCHOLOGISM AND METHODOLOGICAL INDIVIDUALISM

The intention of the supporters of psychologism was probably not motivated by advocating psychological determinism. Their primary aspiration was more focused on the affirmation of methodological individualism as “zero” method, which is the necessary starting point for explaining the social phenomena. Therefore, the question arises: if the concern of those who are engaged in social science (economics in particular) is inextricably linked with the observance of the principle of methodological individualism, does the rejection of psychologism simultaneously deny methodological individualism?

In trying to answer this question, one can focus on the attitudes of Popper and Hayek, the distinguished supporters of methodological individualism. For Popper (Popper, [1957] 1961, pp. 136, 157), methodological individualism is “irrefutable doctrine” that we use in order to explain social phenomena starting from individuals, their goals, beliefs, attitudes, expectations, actions, and interactions. However, this kind of methodological position should be distinguished from the psychologism of John Stuart Mill, which was, according to Popper, correct to the extent to which it opposed methodological collectivism, insisting that all social phenomena must be seen as something that stems from the decisions and actions of individuals. However, Popper calls into question the point of psychologism that the choice of individualistic method actually comes down to the use of psychologicistic method (Udehn, 2002, p. 487), considering that the principle of methodological individualism does not necessarily imply the adoption of a psychological method. On the contrary, this principle can be combined with the view according to which social sciences are relatively independent from psychological assumptions (Popper, [1957] 1961, p. 142).

The reasons why he denies psychology as the basis of social science are associated with the following: (i) “human nature” varies considerably with social institutions, and (ii) social sciences mainly deal with unintended consequences of actions (*Hudík*, 2011, p. 154). As the unintended consequences of individual actions (Hayek, 1952) are mainly identified with the concept of spontaneous order, it is necessary to consider Hayek’s understanding of the social sciences. Specifically, Hayek was aware that social sciences are not sciences of behavior, but sciences of spontaneous order (or sciences of “unintended consequences” of behavior, as he sometimes called them) (*ibid.*, p. 153). The error was, according to him, that the representatives of the social sciences often tolerated the notion that the goal of social sciences was to explain the conscious actions of individuals. This is, if achievable at all, the task of psychology. In the social sciences, conscious actions are just facts, and all they need to do about them, according to Hayek, is to identify them and sort out how to respond to the task. The problems that they are trying to respond to occur to the extent to which the conscious actions of many individuals produce unintended results. In contrast, if social phenomena did not show a different “face” in relation to the one conceived by individuals, then there would be no room for theoretical social sciences, and there would only be problems of psychology (Hayek, 1952, p. 39). However, in reality, there is a social order that is not designed or controlled by the human mind (Kirzner, 1982), in which the individual wishes and intentions face the general market process that is more complex than any intended engineering of its participants (Mises & Hayek 1997, p. 12), so that the need for social sciences and their theoretical explanations should not be questioned.

3. CRITIQUE OF PSYCHOLOGISM

The fact that the two leading proponents of methodological individualism are at the same time critics of psychologism, and that their anti-psychologism strengthened to such an extent that they can be understood as having left the positions of methodological individualism (Udehn, 2002, p. 488), makes one think that there is a kind of “methodological conflict” between individualism and psychologism.

Clarification of the above-mentioned relationship first requires an answer to the question whether it is possible to look at economics as a science of behavior, completely independent of psychology, and then reflect on the relevance of opinion that the abandonment of the term “methodological individualism” actually means a break with psychologism.

3.1. Economics as the science of behavior

Attempt to define economics as the science of behavior is inevitably accompanied by the question of whether in this case psychology loses exclusive scientific rights to be the only science suitable for substantially studying behavior. In support of the unsustainability of equalizing “the science of behavior” and psychology, some economists argue that their discipline is also the science of behavior, in a way independent of psychology. However, such a statement requires an answer to the question: what is the difference between psychology and economics; do psychology and economics stand for alternative theories of behavior and are they different conceptual systems?

If we start from the fact that both of them claim to be “the science of behavior”, attention in this case can be directed at finding empirical evidence to refute the position of one or another science. By all accounts, economists’ resistance to psychology would not be easy at all, and would probably, in the world of established relationships among different social sciences, look rather unconvincing. At the same time, any attempt of equalization of economics and psychology is doomed to failure from the very start. Aspirations of economists to defend the dignity and the “leading” position of economics in the world of social sciences are confirmed by the phenomenon known as “economic imperialism”. The essential feature of the above-mentioned tendency, which marked the second half of the twentieth century in the field of social sciences, is reflected in the application of the economic approach in the process of analysis and explanation of phenomena that traditionally do not belong to the research subject of economics. The initial hypothesis is that the market laws do not apply only in the economic sphere of social life, but that they are basic guidelines of all other forms of social relationships and ties. It refers to raising the market to the level of universal human communication (Petrović & Stefanović, 2013, p. 234), which, among other things, moves some, for economic science, quite “exotic areas”, under the influence of market absolutisation, into the sphere of interest of economics and its research. On the other hand, a strong alternative to the above-mentioned tendency is the so-called “psychological imperialism”, which is based on the psychology conquest of the economic sphere of society, where the role of “colonized territories” is this time given to economics (Glaeser, 2004).

The above-mentioned role reversal may be meaningful from the standpoint of a warning that, if economics retains its traditional distance from psychology, the idea that it studies the behavior of economic actors must be abandoned (Hudík, 2011, p. 148). Denial of the view that economics is the science of behavior makes it independent of

psychology. On the other hand, any attempt to show economics in the light of the science of behavior means affirmation of the viewpoint according to which economics is closely related to psychology. In any case, it cannot be said that these two disciplines are mutually irrelevant.

3.2. Abandoning the term “methodological individualism” and affirmation of “institutional individualism”

The critique of psychologism, among other things, can be based on the need for the denial of methodological individualism, which, from the perspective of its dominant interpretation, raises the issue of sustainability of aprioristic theory of human action. In fact, the dominant interpretation of methodological individualism is associated with atomism, i.e. atomistic social ontology (Zwirn, 2007, p. 55). In support of this, one should reflect on Lawson’s opinion (1997, p. 159), whose arguments rest on the theory that, in modern economics, the ontology of social atomism prevails, with its epistemological manifestation, as a form of reductionism. Supporters of methodological individualism consider it desirable to identify certain similarities and analogies regarding the functioning of the natural and economic systems. Thus, for example, one might assume that economic actors, i.e. individuals who act in the economic sphere of social life, are equivalent to atoms. Just like in physics, the hydrogen atom (H) is not defined in relation to the oxygen atom (O), the individual, along with their characteristics, is viewed independently from other individuals (although those other individuals, as a rule, form part of the social context). That means that individuals either have no relationship with each other, or if they have, their relationship has external character. In this regard, internal relations are not the subject of interest of the dominant interpretation of methodological individualism. This means that their constitution is determined independently of the respective context, and that they generate their own, separate, unchanging effects in relation to the initial conditions (Lawson, 2003, p. 14).

In contrast to the above-mentioned understanding, appreciation of ontological arguments suggests that the fact that an individual does represent a social being, which is normally involved in relationships with others, cannot be endlessly denied. This has resulted in increasingly louder attitudes that the idea of a completely isolated individual, liberated from social impacts, should be declared factually untenable (Davis, 2003), and that, accordingly, the fiction that the society is comprised of a set of independent individuals, who realize their goals completely independently and on their own, should be left aside (Coleman, 1990, p. 300).

Hayek offers almost the same vision of the place and role of the individual, in the process of explanation of the social whole, starting from the conceptual linking of certain parts. In fact, regardless of the fact that, in his analyses, he started from individuals who have a real existence only, he insisted on the result which occurs as an unintended consequence of individual actions, thus “provoking” the debate about whether and how “loyal” he is to methodological individualism. Hence it is not surprising that some authors found inspiration for conceptual differentiation of methodological individualism from methodological atomism in his concept of spontaneous order. For instance, G. Zwirn (2007, pp. 76-77) is without prejudice to Hayek’s commitment to methodological individualism, but he believes that he, with his concept of spontaneous order, actually rejected the idea of methodological atomism. The methodological atomism and the

related atomistic social ontology are diametrically opposite to Hayek's view that the causal relationships in society generate spontaneous social order.

Hodgson brings the justification of the use of the term methodological individualism (Hodgson, 2007, p. 220) in connection with the obvious confusion that reigns with the original interpretation of the methodological individualism in the sense that:

- Social phenomena should be explained by starting solely from individuals; or
- Social phenomena should be explained by starting from individuals and relationships between them.

The first of these versions, as Hodgson believes, has never been realized in practice. According to an individualistic approach, based on the understanding of individuals as isolated individuals, the whole cannot show the characteristics or quality if components do not have the respective characteristic or quality. Characteristics of the system simply reflect the characteristics of component parts, which makes the emerging characteristics excluded. However, individualism has just been criticized for not taking into account the relationship between the actors and their influence on the occurrence of appropriate characteristics at the macro or system-wide level, which are not present at the level of individuals. In the case of another version, however, the issue of justification of the use of the term "methodological individualism" arises, since it recognizes the existence of interactive relationships between individuals. This allows the analysis to include important holistic elements, which, at the theoretical level, affirms the concepts such as institutional and structural individualism.

Notwithstanding the justification of identification of the individualistic with the psychologistic method (Popper, [1945] 1960, p. 91), as an alternative to psychologism, Popper proposes a methodology based on situational logic and institutionalism (Udehn, 2002, p. 488). It is interesting that his idea that social institutions partly explain human activity may, *inter alia*, correspond to the widely accepted framework of game theory. Specifically, although the game theory can be seen as a continuation of behavior theory, claims that the problems of interaction are different from the problems of individual behavior can lead to the conclusion that these are not only psychological determinants. The basis of such thinking does not lie in the individuals themselves, but in the roles and strategies that they can take. That is why the concept of balance is different from its standard interpretation, bearing in mind that the balance is not the result of "players'" conscious choice, but that it is achieved through frequency of strategies implemented under the action of the entire population. This means that the balance is not achieved by the conscious adjustment of "players'" actions, but that it is the result of spontaneous self-regulating process. All this, in fact, refers to the need for respecting the individualistic approach to the study of social phenomena, which, at the same time, does not symbolize the primacy of psychological factors.

The conflict between individualism and institutionalism in Popper's methodology led to a split of methodological individualism into two parts: psychological individualism by Watkins and institutional individualism by Agassi and Jarvie. According to the advocates of psychological individualism, it is very problematic to assume that social science can be individualistic but not psychological, i.e. that the fact that it is individualistic does not mean that it is at the same time the science of behavior. In this regard, *Hudík* (2011, p. 152) presents the view that Popper and Hayek did not provide convincing arguments about what such a science should look like. Additional confusion was brought by the fact

that some supporters of the criticism of psychologism actually relied on the use of psychological formulations and specifications.

Among those who defended the so-called psychological variant of methodological individualism, Watkins is particularly noteworthy. In his view (Watkins, 1955, p. 58), methodological individualism is first based on the ontological assumption by which all social phenomena are created or induced by the actions of individuals. In parallel, equally important is the epistemological assumption that reminds us that people have a direct insight into the actions of individuals, but not the action of social entities. Starting from the fact that all social phenomena, directly or indirectly, result from actions of individuals, this forces those who are engaged in their study to reduce them to a psychological term to be better explained (Watkins, 1952, pp. 28-29). In this regard, his aims were directed to the explanation of social phenomena, not the definition of collective concepts (Watkins, 1953, p. 729).

Unlike the original version of methodological individualism, institutional individualism explicitly includes social institutions in order to thoroughly clarify the phenomenology of individual behavior. Among the authors who accept the importance of institutional influence for the formation of individual goals and objectives, one should certainly mention Agassi (1960), Jarvie (1972), and Boland (1982). They are characterized by the fact that, regardless of some inconsistencies in the use of individualistic and institutionalistic categories and terms, they emphasize institutional individualism as opposed to psychological individualism.

Efforts to verify the significant impact of institutions on economic decision-making, among other things, raises the question of their introduction into the very subject of economics, even if theoretical economics is understood as the science of behavior. In this way, on the one hand, one recognizes the fact that the actors have a strong foothold in the existing institutional framework, which essentially shapes their motivation, economic calculus, and willingness to innovate (Stefanović, 2012, p. 34). On the other hand, it may affect the segment of practical realization of economic research, in terms of the necessity of establishing rules and patterns of economic behavior in a society that is based on the interaction between individuals and social institutions (Polanyi, 1957, p. 248).

Emphasizing the fact that individuals should be presented in the light of the rules of behavior that govern their actions (Field, 1979), and respecting the unintended result of individual actions, reduces the chances of economic science to fall under the "dictatorship" of psychology. Distancing in relation to understanding economic behavior built on the foundations of the glorification of action of psychological laws makes any intention aimed at the subjugation of economic science by psychology meaningless. On the other hand, only a clearly defined orientation of their scientific and research programs can contribute to creating conditions for an objective, comprehensive, and satisfactory explanation of economic behavior. Finally, thoughtful understanding of the differences and similarities between economics and psychology raises the awareness of economists that, in the circumstances of the evident need for using the results of psychological research, they should never forget that economic phenomena are characterized by a significant degree of autonomy and uniqueness, which was a long time ago articulated through the implementation of the requests for the constitution of economics as an independent scientific discipline.

CONCLUSION

The view that economics is primarily the science of behavior prevails in economic literature. On the other hand, by nature and character of the research subject, psychology is a science that aims to maintain “exclusive right” to the status of the only one called upon to essentially deal with the study of behavior. In this regard, the question arises whether the definition of economics as the science of behavior necessarily goes in the direction of convergence with psychology, where the determination of the explicative primacy increasingly favors the advantages of “the psychological” in relation to “the social” and “the economic”.

Starting from the above-raised issues, the paper first offered arguments about the close connection between economics and psychology, particularly in the area of interest in the theory of behavior. Then, the reasoning about the necessity of existence and maintenance of fundamental differences between their scientific and research programs was provided. In this sense, the focus was on the challenges of economics that do not relate to the problems of individual behavior and that cannot be reduced to the “action” of psychological laws in the economic sphere. Criticism of psychologism was, for these reasons, not posited on denying the need for the study of the behavior in itself. Instead, attention was focused on supporting the logical and empirical sustainability of the view, according to which the study of economic phenomena should be approached from the point of their social autonomy, uniqueness, and specificity.

The above-mentioned characteristic of social and economic reality does not mean that it exists in itself, in the sense that it is the result of exogenous factors and that it develops regardless of activities carried out by individuals. The society is certainly the result of individual actions, which is why, *inter alia*, all theoretic explanations must come from individuals. However, although individuals act consciously, to satisfy their own interests, the result of their activities is a new quality, whose study is the task of economics, and which is not distinctive and recognizable in the individual behavior. Therefore, the study of this qualitatively different order cannot be accessed from the standpoint of the psychology of individuals. In fact, it is necessary to offer a theoretical explanation of the social whole, which relies on the conceptual linking of individual components and interpretation of causal relationships in society.

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AUTENTIČNOST EKONOMSKIH POJAVA U KONTEKSTU RASTUĆEG UTICAJA PSIHOLOGISTIČKOG PRISTUPA

Predmet ovog rada jeste odnos društvenog i psihološkog, s akcentom na naučnu zasnovanost jačanja uticaja psihologije na razumevanje ekonomske sfere društvenog života. U vezi s tim dat je kritički osvrt na različite koncepcije ekonomije kao nauke o ponašanju, odnosno njenoj ukorenjenosti u nauci o ponašanju. Opravdanost nastojanja usmerenog na to da ekonomija zadrži svoju tradicionalnu udaljenost od psihologije podržana je idejom o neophodnom priznanju interaktivnih odnosa i nenameravanih posledica ponašanja ekonomskih aktera. Pri tom je naučna relevantnost shvatanja po kome istraživanju ekonomskih pojava treba pristupiti s pozicije njihove društvene autonomnosti, posebnosti i specifičnosti argumentovana setom epistemoloških i logičkih nedoslednosti verovanja o jednosmernoj uzročnosti psihološkog ka društvenom, usmeravajući time metodološka polazišta savremene ekonomske teorije u pravcu osporavanja pokušaja poistovećivanja individualističkog sa psihologističkim metodom.

Ključne reči: psihologizam, nauka o ponašanju, metodološki individualizam, institucionalni individualizam

COMPARATIVE ANALYSIS OF WORK-LIFE BALANCE IN FYR MACEDONIA, MONTENEGRO AND SERBIA

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Abstract. *Reconciling work and family life is one of the key elements of the quality of work and employment. The concept of work-life balance refers to the creation and maintenance of such work environment that allows employees to achieve a balance between work and personal commitments, which create the basis for increase of employee loyalty and productivity growth. Exploring the ways in which an individual functions in the spheres of work and private life, as well as mechanisms of achieving balance between these two spheres, provides a fresh perspective on the interaction between work and private life, as well as opportunities to achieve synergy between these two spheres. The aim of this study is to investigate the quality of the actual balance between work and private life in selected countries of the Western Balkans and on this basis to identify the key problems employees in these countries are confronted with in balancing work and private life.*

Key words: *balance, work, private life, working conditions.*

INTRODUCTION

Work plays very important role in the lives of people, firms and society in general. Individuals value work for income it provides, but also because it contributes to self-esteem and personal happiness. It is important from the standpoint of the welfare of the individual, but it also constitutes a cornerstone of economic and social development. Increasing employment is the backbone of many broader social goals such as poverty reduction, productivity growth and social cohesion. It is therefore not surprising that issues related to work and employment are at the top of the development agenda in almost all countries.

Certain jobs have a wider significance from the society's standpoint. Women's employment change the structure of household consumption and lead to the growth of investment in health and education of children. Jobs associated with global markets helps

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diffusion of new technologies and managerial knowledge and skills. Employment of young people is an alternative to criminal and deviant behavior. It is obvious that employment, in addition to benefits that it brings to individuals, also provides significant benefits for society as a whole. European Union pays considerable attention to work and improvement of working conditions is among the key economic and political goals. EU Strategy 2020, which emphasizes the realization of smart, inclusive and cohesive growth, puts at the forefront work and working conditions, especially the impact of economic growth on the quality of work, employment and enterprise performance. Priorities formulated within the Europe 2020 strategy in the field of work and employment are also priorities of the Western Balkan countries.

Reconciling work and family life is one of the key elements of the quality of work and employment, contained in the Europe 2020 Strategy (European Commission 2010a). Integrated guidelines for implementing the Europe 2020 strategy emphasize the importance of achieving work-life balance, as a determinant of increasing labor market participation (European Commission 2010b), especially of the younger population, women and the elderly. Unlike the EU, where implementation of the work-life balance programs has been perceived as a segment of corporate social responsibility, in the USA initiative is on the part of enterprises, trying to achieve comparative advantages through work-life balance programs. Results of the implementation of these programs have shown that the comparative advantage and social responsibility are not contradictory, but rather interdependent objectives: enterprises achieve competitive advantage on the basis of employment, productivity and service quality, thus contributing to the society in which they operate.

Balance between work and private life is determined by a range of factors. On the one hand, this balance depends on the individuals, their ability to juggle work and family life, as well as the situation within the family. On the other hand, relationship between these two spheres of life depends also upon working conditions, working time characteristics, infrastructure, social protection systems and the like. Policies aimed at achieving work-life balance and programs aimed at securing the flexibility of work are now synonymous with a set of initiatives oriented toward establishing individual needs.

The aim of this study is to investigate the quality of work-life balance in selected Western Balkan countries. In this study, we will use data from the Third Quality of life Survey in Europe (Eurofound 2012). This research is based on the perception of citizens regarding different aspects of the quality of life. Indicators that are relevant for our study are in the area of work-life. Since this research has not yet been conducted in Albania and Bosnia and Herzegovina, we were able to incorporate only Serbia, FYR Macedonia and Montenegro into our analysis. On the basis of research results, we will try to identify the key problems employees in these countries are confronted with while balancing work and private life.

1. DETERMINANTS OF WORK-LIFE BALANCE

Concept of work-life balance points out the efforts and needs of employees to share their time and energy between work and other important aspects of their life. It refers to the creation and maintenance of such working environment that allows employees to achieve a balance between work and personal commitments, providing increased loyalty of employees and productivity growth. The key point is that individuals have some control over when, where and how they work.

Reconciling work and family life is one of the key elements of the quality of life. The firm and the family are the two key institutions for individual (Mortimer, Lorence, & Kumka 1986). Having in mind that activities related to work and family often take place at different time and in different places, and that according to the established division of labor by gender men have primary responsibilities at work and women in the house, researchers and employers often consider work and family as separate, independent and opposing systems (Parsons & Bales 1955). By exploring the ways in which an individual functions in the sphere of work and private life, as well as mechanisms that help them to achieve a balance between these two spheres, provides a new angle on the interaction between work and private life, as well as the possibilities to achieve synergy between these two spheres (Zedeck 1992).

During the last two decades, however, a sharp increase in the number of individuals with significant responsibilities at work and in the family was registered. A growing number of one-parent families, working women, families with one employee, fathers engaged in child care (Brief & # 38; Nord, 1990; Fullerton, 1995) was registered. A significant number of individuals is taking care of elderly family members and those who are unable to care for themselves. For these individuals, achieving a balance between above mentioned two spheres is an imperative (Kemske 1998). In the conditions of the rising share of women in the labour force, working parents are struggling to achieve a balance between work and family commitments. Today's workers have a lot of responsibilities towards work, children, housework, parents, etc., which increase the pressure on individuals, their families and communities in which they live. The conflict between professional and personal spheres of life is a serious problem that affects workers, their employers and community. This problem becomes more pronounced with the increasing proportion of women in the labor force, rising number of one-parent families and families with both working parents, need to care for the elderly and rising unemployment.

Bearing in mind the need of employees to reconcile work and private life, employers have introduced a number of changes, such as flexible working time, flexible forms of work engagement, family-responsibility leave, paid maternity leave, childcare facilities for workers with small children, work at home, job-sharing and the like (Caudron 1997; Flynn, 1997). Many companies go even further by changing the organizational culture in a direction that supports family life (Galinsky and Stein 1990). Bailyn (1997) has identified three features of work culture that supports family life: flexible organization of work, flexible work process and recognition by the organizational leadership that family responsibilities are important. Such changes allow employees to devote attention to their families, without jeopardizing career and advancement in the organization (Regan 1994).

The manner in which work-life balance is accessed is not the same in all countries. In EU countries, programs oriented towards achievement of this balance are result of state legislation and are based on the social responsibilities of corporations, and the concept of corporate social responsibility refers to the company's obligations to take into account interests of customers, employees, shareholders, community and environmental aspects while performing their activities. In the United States above mentioned balance is primarily perceived as a contributing factor to the comparative advantage, in terms of hiring the quality labour force and increasing employees' loyalty towards the company where they work (Pocock 2005).

From the perspective of enterprise, the benefits of implementation of work-life balance programs are reflected in the field of human resources. Work-life balance programs

represent an effective marketing method to attract workers. These programs help to establish a symbiotic link between the employer and the employee, resulting in numerous benefits. Employees who better combine work and private life are satisfied, which in terms of the employer provides productivity growth, strengthens team spirit and loyalty to the employer, reducing the outflow of workers. Lower outflow of workers reduce the costs of hiring and training the new employees. It is logical to assume that aforementioned programs improve the efficiency of workers in the workplace. There are no studies, however, that definitively and unequivocally associate efficiency increase in the workplace as a result of the implementation of these programs and financial performance. Companies usually quantify the benefits of such programs through various performance indicators that are indirectly related to the financial results.

Work-life balance is determined by a range of factors - income, health, family situation (Eurofound 2004). Working time characteristics and its structure significantly affect achievement of this balance. Whether to work or not, how many hours will individual spend at work are often decided inside a family, depending on the circumstances (Eurofound 2012b). Requirements in terms of work-life balance vary depending on the life cycle of individual and the gender. Cultural factors (mothers who stay at home to care for children), infrastructure (childcare facilities for schoolchildren), availability of flexible working time, also affect how and to what extent men and women manage to reconcile work and private life. We should also mention the role of social protection system.

Employers can play an important role by allowing certain arrangements concerning working time (suitable to the workers' needs) or by requesting more flexibility from workers in accordance with the enterprise needs. This means that flexibility can have a positive, as well as negative aspects for both employers and employees. For instance, if some workers prefer flexible working time in order to fulfil some personal obligations, it may require additional organization by the employer or could simply be impossible. Some companies may offer temporary jobs, while workers need permanent employment. The same applies to work in shifts or overtime, which may or may not match employees and companies needs, depending on circumstances or preferences.

2. THE METHODOLOGICAL FRAMEWORK OF THE RESEARCH

In our analysis of the work-life balance in selected Western Balkans countries we shall use data from the Third European Quality of Life Survey (Eurofound 2012), conducted in all EU member states, as well as seven of the nine countries involved in the enlargement process (Croatia, FYR Macedonia, Iceland, Kosovo, Montenegro, Serbia and Turkey). Research of the quality of life in Europe is a representative survey conducted by Eurofound, which serves as a rich source of information about living conditions, housing, local environment, health, public services, social cohesion and the quality of society, as well as subjective well-being. In all countries, testing was conducted using the same methodological approach: face-to-face interviews in people's homes, with selected random sample of the adult population (18 years and older), residing in the country for at least six months. Interviews were conducted in the national language/languages of the country. The sample size was 1000 respondents in all the examined countries that are not EU members, except in Turkey, where sample size was 2000.

Having in mind rising interest in the quality of life, this study is an important contribution to the monitoring and research of these topic. Quality of life research, carried out by the Eurofound, involves the following areas: subjective well-being, health and mental well-being, living standards, work-life balance, public services, trust and tension, participation and social exclusion. For each of these areas appropriate groups of indicators were selected. Results obtained on the basis of monitoring indicators in selected areas of the quality of life explain objective life conditions, as well as subjective well-being, both individual life circumstances and perception of the quality of society. They help to get an overview of the quality of life in one country. For our research relevant data are those related to the achievement of the balance between work and private life. In Albania and Bosnia and Herzegovina, this research has not been conducted yet, and we are able to include only Serbia, FYR Macedonia and Montenegro in our analysis. Quality of life research is carried out every four years, by the Eurofound. Data used in this analysis were obtained from the third wave of research of the quality of life, published in 2011. In FYR Macedonia, Serbia and Montenegro quality of life research was conducted in May-July 2012.

Since previous wave of research conducted in 2007 encompassed only FYR Macedonia, while data for Serbia and Montenegro are available only in the third wave of research, we were limited to the analysis of the current situation and were not able to analyze changes in the work-life balance through time.

3. EMPLOYMENT IN FYR MACEDONIA, MONTENEGRO AND SERBIA

Employment is very important from the individual point of view as a source of income necessary for existence. Bearing in mind that labor market is a very important space in which social interactions take place, employment represents the cornerstone of economic and social development. Increasing employment is the backbone of many broader social goals such as poverty reduction, productivity growth and social cohesion and issues related to work and employment are at the top of the development agenda in almost all countries. Table 1 shows employment rates in FYR Macedonia, Montenegro and Serbia in 2012.

Table 1 Employment rates, total and by gender

Country	Total	Men	Women
FYR Macedonia	39,0	47,1	30,8
Montenegro	40,1	45,9	34,6
Serbia	45,3	52,4	38,1
EU-27	68,5	74,6	62,4

Source: Anketa o radnoj snazi (2012), Republika Srbija; Anketa o radnoj snazi (2012), Crna Gora; Labour Force Survey (2012), Republic of Macedonia; European Commission Eurostat database, 2012 http://epp.eurostat.ec.europa.eu/portal/page/portal/employment_unemployment_ifs/data/main_tables

Table 2 shows employment rates by sex and age in the former Yugoslav Republic of Macedonia, Serbia and Montenegro. Data indicate that in the working age population (18-64 years), the employment rate is highest for the age group 25-49. Employment rates in all observed groups is greater for men than for women. If we compare employment rates for FYR Macedonia, Montenegro and Serbia with the EU-27 average, we can see that employment rates in these countries are significantly lagging behind the EU average.

Table 2 Employment rates, by gender and age

Country	gender	15-24	25-49	50-64
FYR Macedonia	male	18,1	64,9	54,7
	female	12,6	46,3	31,1
Montenegro	male	14,1	67,3	64,6
	female	12,9	55,4	37,1
Serbia	male	19,1	68,4	49,3
	female	9,4	56,4	42,4
EU-27	male	34,8	83,5	65,6
	female	30,8	71,4	51,9

Source: Anketa o radnoj snazi (2012), Republika Srbija; Anketa o radnoj snazi (2012), Crna Gora; Labour Force Survey (2012), Republic of Macedonia; European Commission Eurostat database, 2012 http://epp.eurostat.ec.europa.eu/portal/page/portal/employment_unemployment_ifs/data/main_tables

Data from the national labor force surveys for FYR Macedonia, Serbia and Montenegro indicate that majority of workers are employees (73.2% in FYR Macedonia, 81.9% in Montenegro and 69.6% in Serbia). The share of self-employment in total employment ranges from 16.1% in Montenegro, 18.4% in FYR Macedonia, to 22.8% in Serbia. Self-employed without employees represents 13.6% of the total employment in FYR Macedonia and 18.9% in Serbia. The share of self-employed varies depending on gender and age. Males have larger share in the category of self-employed in relation to females, whereby this share increases going from the lower (18-24) to higher age groups (50-64 and over). In contrast, the share of females is higher in the category of employees.

Most workers are employed in the private sector and private sector employment share is highest in FYR Macedonia, with 75% of the total number of employees in the private sector. In Montenegro, this ratio is 57.3% and in Serbia 51.8%. When it comes to employment in the public sector, public sector employment share in total employment is higher for females than for males. Thus, for example, in FYR Macedonia 24.4% of employed males are working in the public sector, compared to 25.9% of employed females. In Serbia this ratio is 40.7% versus 49.6%, while in Montenegro 41.2% and 43.9%. The share of public sector employment in total employment is higher for older age groups. These employment characteristics are very important in terms of the ability of workers to achieve a healthy balance between work and private life.

There is a relatively high level of job insecurity. In the survey conducted by the Eurofound, respondents were asked to what extent, in their opinion, it was likely that they could lose their job in the following 6 months. The percentage of those who responded to this possibility „very likely“ or „quite likely“ amounts to 16.6% in Serbia, 24.1% in Macedonia and 12.8% in Montenegro. Only in Montenegro this percentage is slightly lower than the average for EU-27, which is 13.3%. In all three countries, perception of the possibility of losing the job is greater for females than males. Thus high level of job insecurity perception certainly puts additional pressure on the employees and affects the work-life balance.

4. CHARACTERISTICS OF THE WORKING WEEK

When it comes to the balance between work and private life, the relevant characteristics of individuals and families are gender, age, as well as whether the family is with or without children. In addition, the time spent at work is of significant importance (Duxbury et al., 1994; Greenhaus and Beutell 1985 Gutek et al. 1991). We can assume that no one wants a career and job that would not leave him with enough time for a personal life, family and friends. Other factors are: job security, support from the supervisors, support from associates, overwork and demanding job, job dissatisfaction, as well as the widespread use of communication technology that blurs the boundaries between work and private life.

Table 3 Average number of hours per week spent on the main job

Country	Average number of working hours per week		
	All	Men	Women
FYR Macedonia	42	43	41
Montenegro	46	49	43
Serbia	45	48	43
EU-27	40	43	36

Source: Eurofound 2012a, calculations by the authors

Length of the working week, or the number of working hours per week, is a very important determinant of the balance between work and private life. A large number of hours spent at work and stressful job do not affect only the ability of workers to reconcile work and private life, but are also associated with numerous health risks related to physical and mental health of individuals. The average number of working hours per week at the main job ranges from 42 in FYR Macedonia (43 for man, 41 for women), 45 in Serbia (48 men, 43 women), to 46 in Montenegro (49 men, 43 women). The average number of working hours per week for the EU-27 is 40, meaning that the average number of working hours in FYR Macedonia, Montenegro and Serbia is higher than the EU average (Table 3). When it comes to gender, the average number of working hours per week at main job is lower for females than for males. The average number of working hours per week is lower in countries with the bigger share of part-time employed workers in total employment. The share of workers with part-time employment in total employment in Serbia is 8.1%, FYR Macedonia 6.4%, and Montenegro 4.5%. Part-time work is associated with lower income, which is reflected in the fact that the average working week is shorter for individuals who belong to the lowest income quartiles and increases as we go to higher income quartiles.

A significant number of employees have a second job - in Serbia 9.7%, Montenegro 8%, FYR Macedonia 11.5%, which is higher than in the EU-27 average, where 5% of employees have a second job. Number of hours per week they usually spend on the job is also significant – on average 19 hours per week in Serbia, 16 in the FYR Macedonia and 14 hours in Montenegro, which is much higher than the EU-27 average and that is 13 hours per week.

Table 4 Preferences of employees in terms of working hours

		FYROM	Montenegro	Serbia	EU-27
work less	all	61	53	53	44
	men	57	56	62	45
	women	67	50	41	42
work the same ¹	all	32	39	39	43
	men	34	34	32	42
	women	28	44	49	43
work more	all	8	8	8	14
	men	9	9	6	12
	women	5	6	9	15

Source: Eurofound 2012a, calculations by the authors

There is a clear link between the number of hours that employees are spending on the job and the number of hours they would like to spend (table 4). Employees were asked how many hours per week would they prefer to work, taking into account funds needed for a normal life. Over half of the employees in all three countries indicated that they would like to work less per week, while the number of those who would like to work more is less than 10%. Among employees that belong to the lower income quartiles there are relatively more employees willing to work more hours per week. In Serbia, even 28.2% of employees belonging to the lowest income quartile would like to work more hours per week, compared to only 5.4% of those in the highest income-quartile. In FYR Macedonia this ratio is 14.9% versus 4.8%, while in Montenegro 10.6% and 4.8%.

5. UNPAID WORK: TAKING CARE OF FAMILY MEMBERS AND HOUSEWORK

Some of the key social roles and responsibilities are realized through unpaid work, during leisure time. Housekeeping, taking care of children and sick family members are primarily performed by family members. Although these are non-paid jobs, they certainly affect the way individual performs tasks at the workplace. Working at home, taking care of those who can not take care of themselves (children, grandchildren, parents or disabled family members), attending various courses and training, participation in voluntary organizations or engagement in political activities require significant amount of time, but can be useful for individuals, their families and society as a whole.

Since most of the unpaid work is performed by women, it has important implications in terms of gender equality, particularly regarding the possibility of securing the paid work. Men and women have different responsibilities in terms of unpaid work. In general, women take the most of the burden of unpaid work (whether they work full-time or not), while men spend more time on paid work. Children play an important role, especially for single parents (men and women) and mothers (who are married). Single parents and couples with children have more hours of unpaid work compared to single parents or couples without children. Married women with children and single mothers report more hours of unpaid work than men of the same status. Table 5 presents the frequency of the unpaid work by gender. Indicators in the table were obtained on the basis of answers to the following

¹ "Work the same" is defined as the existing average ± 2 hours.

Table 5 Hours per week spent doing unpaid work by those in employment, by country (%)

		FYROM	Montenegro	Serbia	EU-27
Taking care for children	all	48	35	43	34
	men	42	25	40	29
	women	54	45	45	39
Cooking and/or housework	all	56	50	64	76
	men	29	21	38	60
	women	82	79	88	91
Taking care for elderly or disabled relatives	all	7	8	10	9
	men	4	8	9	7
	women	10	8	10	11

Source: Eurofound 2012a, calculations by the authors

question: In general, how often are you involved in any of the following activities outside of paid work: 1) taking care of children, grandchildren; 2) cooking and/or housework; 3) taking care of elderly or disabled relatives. Only answers of the respondents who carry out mentioned forms of unpaid work every day or several days a week were taken into account. Based on indicators in the table, we can conclude that differences between men and women in related to the unpaid work significant, especially when it comes to housework. Slightly smaller differences emerge in the taking care of children, and smallest differences are present in the care for elderly or disabled relatives (Table 5). Compared to the EU-27 average, in FYR Macedonia, Montenegro and Serbia relatively more employees spend every day or at least several days a week taking care of children or grandchildren. On the other hand, percentage of those who perform cooking and/or housework every day or at least several days a week is higher in EU-27 than in FYR Macedonia, Montenegro and Serbia. The differences between these countries and the EU-27 are negligible when it comes to care for the elderly.

In addition to frequency of performing unpaid work, number of hours employees spend doing this work is also important. Table 6 show the number of hours per week that employees in FYR Macedonia, Montenegro and Serbia are spending in unpaid work.

Table 6 Hours per week spent in performing unpaid work by those in employment, by country

		FYROM	Montenegro	Serbia	EU-27
Taking care for children, grandchildren	all	17	32	40	18
	men	13	21	33	28
	women	20	38	46	23
Cooking and/or housework	all	14	16	16	9
	men	10	10	10	14
	women	16	17	18	11
Taking care for elderly or disabled relatives	all	11	16	26	8
	men	8	14	20	9
	women	13	16	28	8

Source: Eurofound 2012a, calculations by the authors

Number of hours per week that employees in the FYR Macedonia, Montenegro and Serbia are spending doing above mentioned unpaid activities are given in Table 6. Although in FYR Macedonia even 48% of employees spend each day or at least several days a week taking care of children or grandchildren, number of hours per week devoted to children care is below the average for EU-27. On the other hand, although a smaller percentage of employees in Montenegro and Serbia spend time in taking care of children, they are spending twice more time for child care than employees in FYR Macedonia, and more than the average for EU-27. The average number of hours that employees in Serbia spend in taking care for the elderly or disabled relatives was significantly higher than in FYR Macedonia and Montenegro, as well as in relation to EU-27 average. For all of the mentioned categories women on average spend more hours doing unpaid work compared to men, which certainly reflects on the balance between work and private life.

6. ORGANIZATION AND CHARACTERISTICS OF THE WORKING WEEK

The number of working hours is certainly very important for the quality of life both at work and outside work. However, organization of a working time can also play an important role in balancing work and private life. Flexibility in working time arrangements can contribute to a better balance between these two spheres. Workers who work full time or overtime are less likely to achieve a satisfactory balance between work and private life. Working part-time can have a positive influence on the work-life balance. According to available data, less than 10% of employees working 34 or less hours per week have problems with achieving a work-life balance, compared to over 20% of those working full-time (Eurofound 2012b, p. 90).

Table 7 Compatibility of working time with family and social commitments of employees

		FYROM	Montenegro	Serbia	EU-27
Very well	all	17	12	20	26
	men	19	9	20	24
	women	14	14	20	27
Fairly well	all	58	65	40	53
	men	54	67	38	52
	women	64	63	42	53
Not very well	all	21	19	31	16
	men	23	19	32	17
	women	19	18	30	16
Not at all well	all	4	4	9	5
	men	4	4	9	6
	women	3	4	8	5

Source: Eurofound 2012a, calculations by the authors

Research provided by the Eurofond gives us opportunity to explore the extent to which working time arrangements fit with the family and social commitments of employees. Respondents were offered four variants of answer: very well, fairly well, not very well and not at all well. Results are presented in Table 7. In Serbia, 40% of employees answered that their existing working time arrangements do not fit very well or not at all well with their

family and social obligations. In FYR Macedonia and Montenegro, these shares are much smaller: 25% and 23%. The percentage of those who believe that existing working time arrangements fit very well or fairly well with their family and social obligations is lowest in Serbia - 60%. In FYR Macedonia and Montenegro these percentages are significantly higher and amounted to 75% and 77% (Table 7). When it comes to relation between genders, women generally report compatibility of the existing working time arrangements with family and social obligations to a lesser degree compared to men.

Working time schedule, variability and predictability of working hours affect the compatibility of working time arrangements and private life of workers, but the same solutions do not fit to all workers. In some cases workers would like to know exact time they have to come to work and when they go home from work (for example, when they have to take children from kindergarten or school). In other cases, certain flexibility will help workers to cope with the contingencies or adapt to developments in private life. Those who are faced with a traffic jam on the way to work benefit from flexible working arrangements. Some workers will highly appreciate if they can take a few hours off to visit doctor and the like.

Table 8 shows availability of various forms of flexible working time arrangements to employees. Compared to EU-27 average, a significantly smaller percentage of employees in FYR Macedonia, Montenegro and Serbia have the opportunity to use examined forms of flexible working time arrangements. As in the EU, in Montenegro and Serbia flexible working time arrangements are more accessible to men than to women. When it comes to possibility to accumulate hours for time off or take a day off at short notice, the exception is FYR Macedonia where these forms of flexibility are more accessible to women than men.

Table 8 Availability of flexible working time arrangements (%)

		FYROM	Montenegro	Serbia	EU-27
I can vary my start and finish times	all	26	23	25	43
	men	26	24	31	46
	women	25	22	18	40
I can accumulate hours for time off	all	35	27	25	41
	men	34	30	28	44
	women	36	22	21	39
I can take a day off at short notice when I need to	all	63	39	40	64
	men	62	42	42	67
	women	65	35	37	59

Source: Eurofound 2012a, calculations by the authors

As for the importance of different forms of flexible working time arrangements, employees in all three countries mostly valued the possibility of taking the day off when necessary. Employees were asked to value benefits of specific working time arrangements. Results are presented in Table 9.

There are obvious differences in the appraisals of the respondents in all three countries. However, most of them consider the ability to take a day off at short notice when needed the most important in balancing work and private life. Bearing in mind that women are more involved in unpaid work than men, it is not surprising that noticeable difference occurs in the access to support services. Higher evaluation of better access to services such as child care centers and facilities for the elderly is particularly pronounced in countries where this infrastructure is relatively underdeveloped.

Table 9 The role of flexible working time arrangements in balancing work and private life (%)

		FYROM	Montenegro	Serbia	EU-27
Having more control over start and finish times of my work	all	39	39	34	35
	men	39	43	33	34
	women	38	36	36	36
Changing the number of my weekly working hours	all	34	38	25	29
	men	35	40	24	27
	women	34	36	26	30
Being able to take a day off at short notice when I need to	all	49	50	41	46
	men	50	51	37	45
	women	47	49	46	47
Having better access to support services (for example, childcare, elderly or long-term care)	all	36	40	29	33
	men	34	38	26	31
	women	38	42	32	35

Source: Eurofound 2012a, calculations by the authors

7. DIFFICULTIES IN BALANCING WORK AND PRIVATE LIFE

Reconciling work and private life represents a long-term goal of employment and social policy in the EU. It is an integral part of the Europe 2020 strategy, not only for the purpose to enable more people to reach the paid work, but also to increase gender equality. Table 10 presents the incidence of problems at work due to family responsibilities as well as the impact of work on family life. We took into account only respondents who answered that they face these problems several times a week or several times a month.

Table 10 Difficulties in balancing work and private life, by country (%)

		FYROM	Montenegro	Serbia	EU-27
I have come home from work too tired to do some of the household jobs which need to be done	all	72	72	79	53
	men	63	67	76	50
	women	77	78	83	56
It has been difficult for me to fulfil my family responsibilities because of the amount of time I spend on the job	all	48	52	50	30
	men	44	46	49	29
	women	54	61	52	31
I have found it difficult to concentrate at work because of my family responsibilities	all	24	31	26	14
	men	22	30	24	13
	women	26	31	29	16

Source: Eurofound 2012a, calculations by the authors

Generally, employees in all three countries believe that work affects their family life more than responsibilities towards the family affect their job performance. In EU-27 there is no significant difference between men and women when it comes to dealing with difficulties in balancing work and private life. In FYR Macedonia, Montenegro and Serbia, women have more difficulties in balancing work and private life in relation to men. There is an obvious link between the problems in achieving a balance between work and private life

and the number of working hours per week. Also, for the same number of working hours per week women have a higher percentage of reported problems in achieving a balance between work and private life.

Eurofond research allow us to understand difficulties that employees face in an attempt to establish balance between work and private life. In Table 11 employees are divided into three groups, according to difficulties in establishing work-life balance: first, where employees are facing difficulties both at work and at home (at least several times a month); second, where they are faced with difficulties either at work or at home; third includes employees who are faced with little or no difficulties. Montenegro has the largest share of employees who are faced with difficulties both at work and at home in an attempt to balance work-private life and it is twice as high compared to the EU-27 average. Serbia has the highest percentage of employees who are faced with problems in establishing the balance either at work or at home. At the same time, the percentage of employees who are faced with little or no difficulties is significantly lower in Serbia than in the FYR Macedonia and Montenegro and twice as lower as the average for EU-27.

Table 11 Strain-based conflict, by country (%)

		FYROM	Montenegro	Serbia	EU-27
both at work and at home conflict	all	23	30	25	13
	men	21	29	23	12
	women	26	30	29	15
work or home conflict	all	49	44	55	43
	men	46	40	55	42
	women	52	48	56	45
no or weak conflict	all	28	26	19	43
	men	33	30	23	46
	women	22	21	15	40

Source: Eurofound 2012a, calculations by the authors

In Serbia, FYR Macedonia and Montenegro there is a relatively high percentage of women and men who experience strain-based conflict between work and private life. Serbia has the largest percentage of the population that is experiencing conflict between commitments to work and private life (85% of women and 77% of men). It is possible that it has something to do with the organization of work and inflexible working hours. Private life, to a certain extent, is shaped by daily household tasks and their distribution among family members. Housework may be a significant additional burden on the behalf of women if they perform all of housework, particularly if they are employed. Difference in the contribution of men and women to housework in Serbia (50%) is above the EU-27 average (Table 12).

There is a relatively high percentage of women of a working age (49% in Serbia, 58% in Montenegro and 49% in FYR Macedonia) that are not part of the labour force. However, more than half of them - 57% in Serbia, 62% in Montenegro and 65% in FYR Macedonia would like to have a paid job. These data indicate that the country has the potential to increase participation rates in the labor market by developing a more balanced work organization. It would also create conditions for higher gender equality in relation to work and family commitments.

Table 12 Work-life balance

	FYROM	Montenegro	Serbia	Range for 34 surveyed countries		EU-27
				Min	Max	
Conflict between work and private life (in any aspect, % women)	78	79	85	Italy 47	Cyprus 86	59
Conflict between work and private life (in any aspect, % men)	67	69	77	Italy 39	Serbia 77	57
Performing housework at least several days a week, difference between men and women (percentage points)	53	58	50	Finland 11	Turkey 72	30
Women, economically inactive, who wants to work (%)	65	62	57	Luxemb. 46	Island 91	70

Source: Eurofound 2012c.

CONCLUSIONS

In this paper, we examined possibilities of employees in FYR Macedonia, Montenegro and Serbia to harmonize responsibilities at work with private life and family commitments. We conclude that a relatively large percentage of employees in these three countries are faced with difficulties in reconciling work and private life. Number of working hours during the week is one of the key factors that determine work-life balance and employees in these countries show preferences toward shorter working time because more than half of the respondents in all three countries indicated that they would like to work less per week. Within the same working time arrangements, women expressed more difficulties in reconciling work and private life as a result of their greater engagement in unpaid work compared to men. Women spend more hours compared to men performing unpaid work (for all forms of unpaid work), which certainly affects the possibility of achieving satisfactory balance between work and private life. Differences between men and women are considerable, especially when it comes to housework and, to a lesser extent, babysitting. It is not just the frequency of performing these tasks, but also the number of hours spent doing these jobs.

When it comes to the availability of flexible working time arrangements, considerably smaller percentage of employees in the FYR Macedonia, Montenegro and Serbia have the opportunity to use various forms of flexible working time arrangements compared to the EU-27 average. As in the EU-27, in Montenegro and Serbia, different forms of flexible working time arrangements are more available to man than to women.

Employees in the FYR Macedonia, Montenegro and Serbia believe that work affects their family life more than commitment towards the family affect their job performance. At the same time, women have more difficulties in balancing work and private life in relation to men. Montenegro has the largest share of employees who are faced with

difficulties both at work and at home in an attempt to balance work and family life, while Serbia has the highest percentage of employees who are faced with problems either at work or at home. Serbia has the largest percentage of the employees that experience conflict between work and family life (85% of women and 77% men), which is explained by the organization of work and inflexible working time.

Our research show that the introduction of various forms of flexible working time arrangements are important for overcoming the difficulties in balancing work and private life. In addition, development of infrastructure and better access to support services (eg, child care, adult care, transport) also plays a significant role.

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KOMPARATIVNA ANALIZA RAVNOTEŽE POSAO-PRIVATNI ŽIVOT U BJR MAKEDONIJI, CRNOJ GORI I SRBIJI

Usklađivanje posla i privatnog života jedan je od ključnih elemenata kvaliteta rada i zaposlenosti. Koncept ravnoteže posao-privatni život odnosi se na stvaranje i održavanje takvog radnog okruženja koje omogućuje zaposlenima da ostvare ravnotežu između posla i ličnih obaveza, što obezbeđuje povećanje lojalnosti zaposlenih i rast produktivnost. Istraživanje načina na koji pojedinac funkcioniše u sferi posla i privatnog života, kao i mehanizama postizanja ravnoteže između ove dve sfere, pruža novi ugao gledanja na interakciju između posla i privatnog života, kao i mogućnosti ostvarivanja sinergije između ove dve sfere. Cilj ovog rada je da istraži kvalitet ostvarene ravnoteže između posla i privatnog života u odabranim zemljama Zapadnog Balkana i da na osnovu toga identifikuje ključne probleme sa kojima se zaposleni u ovim zemljama suočavaju u balansiranju posla i privatnog života.

Ključne reči: ravnoteža, posao, privatni život, uslovi rada

ANALYSIS OF MACHIAVELLIAN BEHAVIOR OF STUDENTS IN THE REPUBLIC OF SERBIA

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Abstract. *Using the "Mach IV Scale", this paper analyses the level of Machiavellian behavior among the student population in the Republic of Serbia. The obtained results were compared with the outcome of similar studies conducted in the United States and Indonesia. Results indicated that Machiavellianism level, manifested among the student population in the Republic of Serbia, is higher than Machiavellianism level manifested among students in the United States and Indonesia. The mixed results of this study point to the conclusion that economic development of a certain country (expressed by GDP per capita) could not be a base for reliable conclusion regarding the potential expression level of Machiavellian behavior of state's population. These results can be useful for managers, in general, and for managers in the Republic of Serbia, particularly, in the process of recruiting and selecting new candidates, and in the course of delegating tasks to existing members of the organization.*

Key words: *machiavellianism, economic development, students, management.*

INTRODUCTION

Machiavellianism, as a personality dimension, reflects the level of unscrupulousness, contained in an individual's strong effort to achieve personal interests. The term "Machiavellian" was coined by the Florentine philosopher and statesman Niccolo Machiavelli (1469-1527). In his book "The Prince",¹ Niccolo Machiavelli offered a set of rules necessary for acquiring and retaining power (Makijaveli, 2009). According to Machiavelli, one of the primary methods for obtaining and maintaining power is to manipulate others with absolute disregard of emotions and moral principles.

In accordance with that, Machiavellians are, actually, portrayed as very rational individuals who are able to be ruthless, cunning, deceitful, unscrupulous, manipulative,

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cynical and amoral, when it is necessary to achieve a goal (Yunus, Shabudin, Rahim, Hamzah, 2012, 3071). These individuals are able to act extremely unemotionally and unethically, and disregard feelings, rights and needs of others. Machiavellians are also described as individuals with the tendency to manipulate and exploit others (Paal, Bereczkei, 2007, 543). They are individuals who seek success and are prepared to use all available means for it.

As a personality dimension, Machiavellianism was first described in detail, and incorporated into the concept, thanks to the efforts of Richard Christie and Florence Geis (Dahling, Kuyumcu, Librizzi, 2012, 183). In 1960, these two researchers developed "Mach IV Scale" as an instrument for gauging individuals' Machiavellian personality. To date "Mach IV Scale" has been used in numerous studies devoted to extensive research of the Machiavellian personality type, in different situations and among different populations.

1. MACHIAVELLIAN BEHAVIOR IN ORGANIZATIONS

Individuals who tend to Machiavellian behavior can be found in a diverse ambient frames (e.g., family, school, university, place of work, a group of friends, etc.), as well as among different populations of people (children, pupils, students, employees, family members, etc.). From the perspective of modern organizations and their managers, particularly important question is expression of Machiavellian behavior among employees, members of the organization. This is because the expression of Machiavellian behavior generally has a negative impact on various aspects of organizational functioning.

As a form of cunning, aggressive, unemotional, unethical and manipulative tactics, Machiavellianism, besides other things, can be a driver of various deviant behaviors of organizational members. Some of the most common are: lying, stealing, gossip, sabotage, the decline in satisfaction level of organizational members, the increase of stress level (Dahling, Kuyumcu, Librizzi, 2012, 184-188), violation of organizational climate of trust, the decline in civic behavior level of organizational members (Backer, O'Hair, 2007, 248), strengthening of political behavior within organizations (Drory, Gluskinos, 1980, 82), etc. At last, all of the above can have a negative impact on the organizational functioning and performances achieved.

Therefore, modern managers are expected to be able to recognize the Machiavellian behavior, among existing and potential organizational members, as well as to find appropriate mechanisms and thwart the undesirable behavior form, or reduce it to a minimum. In favor of this, the great benefit to managers may be a knowledge obtained within Organizational behavior, as a scientific field that studies the human behavior in organizational environment, as well as knowledge in the fields of psychology and personality psychology (as a science bases of Organizational Behavior).

For this reason, the results of numerous studies devoted to examining the expression level of Machiavellian behavior (Backer, O'Hair, 2007; Drory, Gluskinos, 1980; Gemmill, Heisler, 1972; Hunt, Chonko, 1984; Kessler, Bandelli, Spector, Borman, Nelson, Penney, 2010; Kiazad, Restubog, Zagencyk, Kiewith, Tang, 2010; Sparks, 1994; Walter, Anderson, Martin, 2005) are of great importance. Among the numerous studies, there are many which were carried out on student population (Christie, Geis, 1970; Harmon, Webster, Hammond, 2008; Mostafa, 2007; Webster, Harmon, 2002). The quality of researches dealing with Machiavellianism level expressed among student population is contained in a few moments. First of all, original instrument for finding the extent of Machiavellianism (the "Mach IV

Scale”), was developed among the student population. Although that instrument was successfully used in various studies among other populations (e.g., children, employees, managers, leaders), the highest degree of “Mach IV” instrument reliability was found in the studies which included respondents aged 18 - 25 (Moss, 2003, 27). A student population age is generally within that specified range. Furthermore, from the viewpoint of certain parameters (e.g. age, level of previous education, professional interest) student population can be regarded as a relatively homogeneous group. That could facilitate certain conclusions during the research. Also, even though the human personality is in constant process of evolving and changing (Robbins, Judge, 2014, 139), the certain personality traits can be seen as long-term predispositions of human behavior (Luthans, 2010, 132). It appears that the identified Machiavellian disposition of respondents (in this case students), to the expression (or not) of Machiavellian behavior, could be a relatively stable indicator of future behavior patterns of respondents throughout their lives.

In this context, it could be concluded that the existence or non-existence of Machiavellian behavior among the student population (observed within corresponding national and cultural ambient), could be useful to managers of those organizations who operate within that specific national ambient. Such information might assist managers to predict the Machiavellian behavior tendencies among future organizational members.

2. RESEARCH PURPOSE

Machiavellian behavior has numerous negative multidimensional effects. Also, no research has been done in the Republic of Serbia investigating the Machiavellianism among students. These were some of the authors’ motives to undertake such a research. The initial point of this research, and its implementation support, were previous studies dealing with Machiavellianism personality traits among the student population. These studies were conducted in the United States during the sixties of the 20th century and the first decade of the 21st century, as well as in Indonesia during the first decade of the 21st century. They were carried out by Christie R., Geis F., Webster R. L., Harmon H. A. and Hammond K. L. (Christie, Geis, 1970; Harmon, Webster, Hammond, 2008; Webster, Harmon, 2002). The results have led to a certain hypothesis, whose applicability was tested in this research.

The research, conducted in the 1960s, was carried out among population of 1782 students from several parts of the United States with different economic development level. Authors, Christie R. and Geis F., published the research findings in 1970 (Christie, Geis, 1970). Their study offered evidence that, in general, the level of Machiavellianism expressed among students from less developed and less industrialized areas is lower, compared to the Machiavellianism level expressed among their colleagues coming from developed and more industrialized states.

In 2002, the authors Webster R. L. and Harmon H. A. published similar conclusions of their study, presenting the results of Machiavellianism investigation among the United States’ student population. Webster R. L. and Harmon H. A. have, furthermore, compared their results with the previously published study of Christie R. and Geis F. The results of Webster’s and Harmon’s research indicated that Machiavellianism of the United States’ students in early 21st century (in 2002) was higher, compared to Machiavellianism of students (also from the United States territory) determined in the ninety-sixties. These results also supported the claims that rise in the economic development level leads to the rise of Machiavellian behavior among society members (Christie, Geis, 1970).

Then, Webster R. L. and Harmon H. A., along with Kevin Hammond, compared the Machiavellian behavior of the United States' student population (results obtained from Webster's and Harmon's study published in 2002) with the Machiavellian behavior of their Indonesian colleagues. The results of this study, which were published in 2008, also emphasized that higher industrial and development level of the United States, compared to Indonesia, has led to a higher Machiavellianism behavior level of the United States' students, opposed to the Machiavellianism behavior level of students from Indonesia.

Following the above mentioned studies, during the school year 2011/2012, the similar research was undertaken among the student population in the first year of study at the Faculty of Economics in Niš, in the Republic of Serbia.

Previous researches published by Christie R., Geis F., Webster R. L., Harmon H. A. and Hammond K., marked the state's economic development level as one of the most important factors determining the Machiavellianism level of the states' population. The economic development level may be defined by different indicators. However, gross domestic product (GDP) is one of the most commonly used. GDP is the total market value of the total officially recognized final goods and services produced within a country in a given period of time, usually one year. The total GDP divided by total state population equals a GDP per capita.

Official World Bank data on GDP per capita level (in U.S. \$) in the Republic of Serbia in 2012 (when this research was conducted), as well as in the past few years, are shown in Table 1. For the comparison purpose, Table 1 also contains the official World Bank data on GDP per capita level, in 2012 and the past few years, in Indonesia and the United States.

Table 1 GDP per capita (in U.S. \$)

	2008	2009	2010	2011	2012
Serbia	6.701	5.821	5.412	6.423	5.659
Indonezia	2.178	2.272	3.137	3.663	3.718
U.S.	48.401	47.002	48.374	49.781	51.457

Source: The World Bank, (2013),
<http://data.worldbank.org/indicator/NY.GDP.PCAP.CA?page=2>

The data presented in Table 1 clearly indicate that the Republic of Serbia is slightly more developed country than Indonesia, but less developed than the United States. Comparison was done on the basis of economic development level, represented via GDP per capita. Additionally, as shown in Table 1, both, the United States and Indonesia, had rise in GDP per capita in 2012, compared to 2011, while the Republic of Serbia in this period recorded a decline of the same indicator.

In addition to the above relative level of economic development of the Republic of Serbia, Indonesia and the United States, is the fact that the International Monetary Fund (IMF) ranked all world states, using the economic development level, in appropriate groups. These are (*IMF WEO Database, 2013*): Major Advanced Economies (G7); Advanced Economies; Other Advanced Economies excluding G7 and Euro Area; Newly Industrialized Asian Economies; Euro Area; European Union; Central and Eastern Europe; Latin America and Caribbean; Commonwealth of Independent States; Middle East and North Africa; Emerging and Developing Economies; ASEAN – 5; Developing Asia; Sub-Saharan Africa. While the United States is simultaneously in the first and second specified

group of countries ("Major Advanced Economies G7" and "Advanced Economies"), Indonesia and the Republic of Serbia are classified into eleventh group of countries ("Emerging and Developing Economies").

According to the research claims made by Christie R., Geis F., Webster R. L., Harmon H. A. and Hammond K. L., it could be expected, that Machiavellianism level among the student population in the Republic of Serbia, will be higher than Machiavellianism level among students in Indonesia, and lower than Machiavellianism level identified in the United States in the beginning of the 21 century. Against this background, the following hypotheses were tested in the paper:

- H1: due to lower economic development level of the Republic of Serbia compared to the United States, Machiavellianism level expressed among the student population in the Republic of Serbia (in 2012) is lower than Machiavellianism level expressed among the student population in the United States (in 2002);
- H2: due to higher economic development level of the Republic of Serbia compared to Indonesia, Machiavellianism level expressed among the student population in the Republic of Serbia (in 2012) is higher than Machiavellianism level expressed among the student population in Indonesia (in 2008).

3. METHOD

Sample and procedure. For the purpose of collecting data, to assess Machiavellian behavior expression level among students (future organizational members) in the Republic of Serbia, during school year 2011/2012, the survey was conducted at the Faculty of Economics in Niš. With prior permission of the Dean of the Faculty, and with the approval of students, the first author of this paper conducted a survey among students. The survey was conducted after regular school hours. It occurred in two groups and lasted 45 minutes. The survey initially included 250 students of the first year of undergraduate study. Total number of 250 questionnaires was distributed among students, of which 21 (or 8.4%) were unusable, due to random answering, or blank questionnaires were returned. Therefore, 229 questionnaires were finally answered and included in the analysis ($N = 229$), which is 91.6%. Among these, 75 participants (32.75%) were male, while 154 (67.25%) were female. Regarding the age of the participants, their ages ranged from 19 - 22, while the average age of all participants was 19.8 ($M = 19.8$; $SD = 0.72$). General information about the participant profile is presented in Table 2.

Table 2 General information about participants

Description	Number	%	M	SD
Sample				
Total number of respondents	250			
Number of usable questionnaires	229	91.6		
Number of unusable questionnaires	21	8.4		
Sex				
Male	75	32.75		
Female	154	67.25		
Age			19.8	0.72

The Republic of Serbia, in which the survey presented in this paper was conducted, occupies the central part of the Balkan Peninsula. Serbia is organized into 5 distinct regions: the Belgrade region, Vojvodina region, region of Šumadija and Western Serbia, region of Southern and Eastern Serbia and Kosovo and Metohija region (*Vlada Republike Srbije – teritorijalna organizacija, 2004*). Students belonging to Southern and Eastern Serbia region, mainly are attending the Faculty, where the research was conducted. This is the least developed region in the Republic of Serbia (*Aktuelna razvojna kretanja, 2012*).

Instruments. As an instrument for data collecting, “Mach IV Scale”, developed by Christie R. and Geis F., was used. It is an instrument comprising the twenty statements, whose assessment has been done by 7-point Likert scale (from 1 - *strongly disagree*, to 7 - *strongly agree*). Consistent with previous research, a constant of 20 was added to the calculation, so that scores ranged from 40 points (low Machiavellian level) to 160 points (high Machiavellian level). A score of 100 points represents the neutral Machiavellian level. Coefficient alpha in this sample was 0.62, indicating its satisfactory reliability.

The Serbian version of this questionnaire was created through translation and back-translation technique (Brislin, 1970, 1993). The first author of this paper translated the English version of the questionnaire into Serbian. Then, the Serbian version of the questionnaire was translated back into English by a bilingual expert, to verify its credibility.

4. RESULTS

Survey results of Machiavellian behavior among the student population in the Republic of Serbia, are presented by gender, in Table 3.

Table 3 Machiavellianism among students (by gender)

Sex	Sample size	Mean value	Standard deviation
Male	75	95.83	10.09
Female	154	92.95	10.24

Measured by the seven-level Likert scale according to which higher numbers indicate higher levels of Machiavellianism

The results were compared with the findings published by Webster R., Harmon H. A. and Hammond K., during 2002 and 2008, and presented in Table 4.

Table 4 Machiavellianism in the Republic of Serbia, the U.S. and Indonesia (data for the U.S. and Indonesia taken from Webster, Harmon, 2008, 440)

	Sample size			Mean			Standard deviation		
	All	Male	Female	All	Male	Female	All	Male	Female
U.S.	240	107	133	92.02	93.48	90.84	10.13	9.50	10.50
Serbia	229	75	154	93.89	95.83	92.95	10.26	10.09	10.24
Indonesia	262	106	156	83.49	81.40	84.90	9.83	9.50	9.83

Measured by the seven-level Likert scale according to which higher numbers indicate higher levels of Machiavellianism

The results presented in Table 4 indicate that Machiavellianism level among the student population in the Republic of Serbia is higher than among students in the United States and Indonesia. According to these findings, hypothesis H1 was rejected, while hypothesis H2 was confirmed.

5. DISCUSSION

In general, results indicate that Machiavellian orientation of the student population in the Republic of Serbia is much higher than initially expected. According to the results of this study, comparative data on the economic development level of a certain country (expressed by GDP per capita), could not be base for reliable conclusion regarding the potential Machiavellian behavior expression among the state's population.

However, one should bear in mind the fact that, the particular study investigated the Machiavellian behavior among students in the Republic of Serbia during 2012 ($M = 93.89$; $SD = 10.26$) and these results were compared with the Machiavellian behavior among the United States' students ($M = 92.02$; $SD = 10.13$) identified a decade ago. In modern, highly dynamic business environment, with increasing complexity, when the world is developing at unforeseen speed, the period of a decade cannot be overlooked. Although we have no official information regarding Machiavellianism level among the United States' student population in 2012, the fact that Machiavellianism level is increasing along with the development, could lead us to a conclusion that Machiavellianism level today, is probably higher than in 2002 (when it was identified by Webster R. L. and Harmon H. A). This can be considered as one of the major limitations of our study. However, the World Bank official data indicate that GDP per capita in the United States in 2001 (U.S. \$ 35.012) (*The World Bank, 2013*), when the research of Machiavellianism among the population of students in the United States was performed, was well above GDP per capita in the Republic of Serbia in the 2012 (U.S. \$ 5.659) (*The World Bank, 2013*), when the research of Machiavellianism among the population of students in the Republic of Serbia was performed. With regard to above statements, it should be noted that many factors, besides economic, encourage intensive expression of Machiavellian behavior in a particular national environment.

Regarding to the situation in the Republic of Serbia, in addition to usual Machiavellian drivers, certainly there are many other factors with negative implications on expression of Machiavellian behavior. As main factors we could mention: accumulated economic, social and political problems faces by the Republic of Serbia for decades, armed conflict during the nineties of the 20th century, illegal privatizations, high level of corruption and crime, general decline in society morals, high unemployment level, extensive poverty, "gray" economy, absence of strong corporate and social responsibility and ethical behavior of organizations and their members. The generation of students, who participated in the survey, has grown up in an environment shaped by listed circumstances.

The moral structure of the society has a particularly important influence on expression of the Machiavellian behavior of its members. If we start from the statements of Ferrell O. C. and Skinner S. J. who claim that low Machiavellianism level is strongly related to high business ethics (Ferrell, Skinner, 1988, 108) and the statement quoted by Jay A. who indicated that corporations and states are, in essence, identical organisms (McGuire, Hutchings, 2006, 198), it seems logical to conclude that society with high moral and ethical

principles should have lower level of Machiavellianism. And vice versa, decline in moral of the society, would lead to a decline in individuals' moral, and influence high Machiavellian tendencies.

This would be the key insights for the modern managers in general, as well as for managers in the Republic of Serbia. The presented results of the survey, regarding Machiavellianism level among student population in the Republic of Serbia, were higher than expected. This should be a signal and support to managers in the Republic of Serbia to work harder for the purpose of efficient management of Machiavellian behavior among future organizational members, today's students.

CONCLUSION

The expression level of Machiavellian behavior in the respective national environment is determined by a heterogeneous set of factors. Although the factors of economic nature should not be neglected (primarily the economic development level as the most important), certainly there are many other factors, of so-called situational character, with corresponding influence on expression of Machiavellian behavior among subjects belonging to the particular national environment.

The research findings of this paper have some limitations: respondents were students of only one faculty in the Republic of Serbia; only students of the first year of undergraduate study were survey participants; the research was conducted in the school year 2011/2012, and the results were compared with the results of a similar survey conducted in the United States (in 2002) and Indonesia (in 2008). Despite these limitations, the mixed results of this study point to the conclusion that the economic development level of a certain country (expressed by GDP per capita), could not be a base for reliable conclusion regarding the potential expression level of the Machiavellian behavior of the state's population.

In this respect, managers in general, as well as managers in the Republic of Serbia, are advised to apply different sets of mechanisms belonging to Human Resource Management and Organizational Behavior scientific disciplines, with the purpose of successful routing of expression level of the Machiavellianism behavior within organizations. Among other things, managers are suggested to test applicants' personality traits during recruitment, independently or together with experts, primarily psychologists. This testing, among other things, should include checking of candidates' Machiavellian behavior expression tendencies.

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ANALIZA MAKIJAVELISTIČKOG PONAŠANJA STUDENATA U REPUBLICI SRBIJI

Primenom "Mach IV Scale", u radu se ispituje nivo ispoljavanja forme makijavlističkog ponašanja među populacijom studenata u Republici Srbiji. Dobijeni rezultati su komparirani sa rezultatima sličnih studija sprovednih u SAD i Indoneziji. Rezultati su pokazali da je nivo makijavelizma koji je ispoljen među populacijom studenata u Republici Srbiji, viši u odnosu na nivo makijavelizma koji je ispoljen među studentima i u SAD i u Indoneziji. Dobijeni mešoviti rezultati ukazuju i na to da stepen ekonomskog razvoja jedne države (izražen kroz DBP per capita), ne može poslužiti kao pouzdana osnova za zaključke o potencijalnom stepenu ispoljavanja forme makijavelističkog ponašanja među stanovništvom te države. Ovi rezultati mogu poslužiti menadžerima uopšte, kao i menadžerima organizacija u Republici Srbiji prilikom regrutovanja i selekcije novih kandidata, kao i prilikom delegiranja zadataka postojećim članovima organizacije.

Ključne reči: makijavelizam, ekonomski razvoj, studenti, menadžment

PERSPECTIVES FOR THE DEVELOPMENT OF KNOWLEDGE ECONOMY, INNOVATIVENESS, AND COMPETITIVENESS OF CEFTA COUNTRIES

UDC 005.94+330.341.1]:339.54(4-672EU)

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Abstract. *Knowledge and innovativeness are the key determinants of the competitiveness of countries in the contemporary economic conditions. Based on these facts, the paper presents a comparative analysis of readiness for the development of the knowledge economy, the achieved level of innovativeness and competitiveness of countries involved in the Central European Free Trade Agreement – CEFTA and a group of selected EU countries), which used to be CEFTA members. The aim of the study is to assess differences in the levels of readiness for the development of knowledge economy, innovativeness, and competitiveness of these two groups of countries. The research results confirm the significant lagging of CEFTA countries in relation to the selected EU countries, once CEFTA members.*

Key words: *competitive advantage, innovation, knowledge economy, CEFTA, selected EU countries.*

JEL Classification: O33, O52.

INTRODUCTION

The Central European Free Trade Agreement (CEFTA) today consists of the following members: Serbia, Bosnia and Herzegovina, Albania, Macedonia, Moldova, Montenegro, and Kosovo. Its former members are: Czech Republic, Slovakia, Hungary, Slovenia, Romania, Bulgaria, and Croatia, which ceased to be members of CEFTA once they joined the EU. The agreement now defines a single free trade zone of the Western Balkan countries and Moldova.

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CEFTA agreement replaced 32 previous bilateral free trade agreements, which significantly contributed to the development of trade relations in this region. Liberalisation and facilitation of trade among the signatory countries aims at: improving the economic development of national economies and the region as a whole, stabilisation and joining the EU, speeding up the process of joining the World Trade Organisation, increasing the region's ability to attract investment, encouraging integration of the signatory countries into the world economy.

The most important advantages of the CEFTA agreement are increased and improved exchange, direct flow of goods and services, linking the economies in all sectors, improved balance of payment of countries, improved trade relations among countries. In addition, the advantages of CEFTA are reflected in overcoming political tensions in the region, reducing the costs of production, introduction of modern technologies and compliance with international standards, strengthening competition, and increasing the competitiveness of domestic products.

For companies in the region, the process of trade liberalisation implies market conditions and fierce competition, which means the necessity of raising the technological level of production, productivity, efficiency, application of modern management and marketing. This is the first test that must be passed on the way to the EU. What is more, all selected EU countries were formerly members of CEFTA.

Through its Strategy for Sustainable Smart and Inclusive Growth – Europe 2020, adopted in Lisbon in 2010, the European Union clearly emphasised the importance of knowledge and innovativeness for the improvement of competitiveness and future economic development of regional economic integration (Europe 2020). It seems completely logical to ask, then, to what extent are CEFTA countries really able to follow the set objective of the EU to become the world's most developed knowledge economy, by continuously transforming their economies towards knowledge-based model. In this context, the main problem to be studied in this work can be reduced to the question of whether there is a lag of CEFTA countries in relation to the selected countries of the European Union, its former members, in the areas of readiness for the development of the knowledge economy, innovativeness, and competitiveness, and whether that gap, if any, can stand for the limiting factor of progress of these countries towards EU membership.

In order to get acceptable answer to the research question, the following analytical methods have been used:

- Comparative overview of the values of the parameters *Knowledge Economy Index (KEI)*, *Global Innovation Index (GII)*, and *Global Competitiveness Index (GCI)*, in order to detect differences in the values of these parameters in respect of CEFTA countries and the group of selected EU countries;
- Cluster analysis according to the parameters of innovation, in order to explain the depth of the gap between the CEFTA countries and the group of selected EU countries;
- Correlation analysis of the parameters *Knowledge Economy Index (KEI)*, *Global Innovation Index (GII)*, and *Global Competitiveness Index (GCI)*, in CEFTA countries and the group of selected EU countries; in order to point to differences in terms of the degree of correlation of the analysed variables.

The answer to the above question cannot be simple. This is, among other things, due to the fact that the political and many other unpredictable events can have an extremely

adverse effect on the quality of functioning of individual national economies¹. However, upon abstracting this aspect of the problem, it can be said that pronounced readiness of CEFTA countries for the development of the knowledge economy, innovativeness, and competitiveness *per se* facilitates and accelerates their path to EU membership. Knowing that CEFTA countries are economically least developed part of Europe, and that in the recent past they functioned in a much different economic and political environment in comparison with the members of EU15, we chose to compare the indicators of readiness for the development of the knowledge economy, innovativeness, and competitiveness of CEFTA countries with the respective data relating to the group of six selected EU countries, which used to be socialist countries and later CEFTA members, and which, due to the successful completion of the transition process, joined the EU in the period from 1 January 2004 to 1 July 2013 (1 January 2004 – Hungary, Slovakia, and Slovenia, 1 January 2007 – Romania and Bulgaria, 1 July 2013 – Croatia), when they ceased membership in CEFTA (See Scheme 1).

1. THEORETICAL BACKGROUND

Over the past three decades, the rate of knowledge creation and distribution has significantly increased. In order to effectively advance towards knowledge-based economy, the countries must invest in the creation and dissemination of new knowledge (Despotovic et al., 2014). To tell the truth, in a sense, economic development has always been based on knowledge. However, the scope and importance of knowledge for economic processes have fundamentally changed in recent years (Nijkamp & Siedschlag, 2011). The growth of productivity, driven by technological and organisational innovation, has become the most important source of economic growth in knowledge economies (Huggins et al., 2008).

Powell and Snellman define the knowledge economy as the production of goods and services, predominantly based on knowledge-intensive activities, which generates technological changes, causing fundamental changes in the economy and society as a whole (Powell & Snellman, 2004). A key component of the knowledge economy is the dominant reliance of economic activities on the intellectual capacity of people.

In contemporary society, innovativeness is one of the most important factors of growth and development of the companies and the success and prosperity of the economy and society as a whole. Lack or inadequate level of innovativeness leads to stagnation in all areas of production and business of companies. That is why the slogan “innovate or perish” has become generally accepted at the level of individual companies, as well as at the level of individual countries.

Innovativeness at the micro level enables the creation of new or improvement of the performance of existing products and services, and better fulfilment of existing or creation of new consumer needs (Crespell & Hansen, 2008). For most authors, innovativeness is associated with creativity and the creation of new ideas, and their transformation into new products, services, and processes (Rothwell, 1994; Amidon, 2003; Akamavi, 2005). Moreover, innovation can be seen as a process that transforms knowledge into economic development and social welfare.

¹ In this respect, the possible adverse effect of the conflict in Ukraine on the economy of the EU and a number of European countries is worth mentioning.

In theory, there are rather conflicting views on the relevance of the concept of competitiveness. Due to the number and complexity of factors, as well as the very nature of the competitive processes, the concept of competitiveness is often very difficult to understand and confusing (Snieška & Bruneckienė, 2009). A number of economists, however, believes that competitiveness has traits of "natural law of modern capitalist economy" (Kitson et al., 2004).

Without going into in-depth analysis of issues related to the character and nature of the concept itself, it should be noted that the level at which the phenomenon of competitiveness is examined is the most important aspect of observation of this phenomenon (Kitson et al., 2004). In short, one should distinguish between microeconomic and macroeconomic aspects of the complex of , competitiveness.

At the micro level, competitiveness is the ability of companies to compete, grow, and be profitable (Powell, 2001; Martin, 2004). Therefore, competitiveness is the ability of companies to produce and sell products and services at a price that is lower than the competitors', or on the basis of other, non-price factors that are more attractive when compared to other companies (IMD & WEF, 1990).

Unlike the competitiveness of companies, the concept of macroeconomic competitiveness is, in the theoretical sense, a controversial phenomenon. It is most commonly identified with the ability to produce and market goods and services on the foreign markets, but also with the pace of growth of real gross domestic product per capita, or the capacity to increase the wealth of the country (Marginen, 2006).

We believe that the identification of a country's competitiveness with its ability to export goods and services to foreign markets is a too narrow approach, and that it does not answer the contemporary economic conditions. Furthermore, we believe that the interpretation of a country's competitiveness as a potential increase of wealth is ultimately reduced to work productivity, since higher gross domestic product means greater productivity (Aiginger, 2006).

National competitiveness resulting from the country's ability to generate innovation in order to achieve or maintain advantage over other nations in a number of key industries was first defined by (Porter, 1990). Further works emphasise that within the knowledge economies, the state should primarily focus on achieving a high living standard (Thurrow, 1996; Huggins et al., 2008).

Many researchers, however, explicitly note that they are not interested in measuring the competitiveness of the country (Schuller & Lidbom, 2009). Others argue that companies have to be competitive, not the countries, because when companies cannot compete, they disappear (Krugman, 1994). The fact is, however, that the complex of the country's competitiveness is increasingly in circulation in theoretical as well as empirical research (Fagerberg, 1988).

The importance of the concept of competitiveness of the country is firmly incorporated in the economic policy. Therefore, understanding, quantification, and analysis of the factors of competitiveness of the country are becoming an important dimension of development policy, which is largely devoted to finding ways to improve quality of macroeconomic performance. While it is clear that the country's competitiveness is essentially linked to economic performance, the fact is that this complex is increasingly seen in relation to the relative position of the country to other countries, and far less in relation to its accumulated wealth (Nijkamp & Siedschlag, 2011).

Although these are two different aspects, i.e. two views on competitiveness, between macro and micro level there is a strong and direct relationship (Porter & Schwab, 2008). It is indisputable that knowledge and innovativeness form the basis of both concepts of competitiveness in today's conditions.

2. KNOWLEDGE ASSESSMENT METHODOLOGY

2.1. Knowledge Economy Index (KEI)

To facilitate the countries' construction of the knowledge society, the World Bank developed a Knowledge Assessment Methodology (KAM), which identifies specific sectors or areas to which economic policy makers should pay special attention. The approach is based on the quantification of two indices: Knowledge Economy Index (KEI) and Knowledge Index (KI).

KEI is an indicator that measures the ability of a country or region to develop a knowledge economy, i.e. which illustrates the suitability of the environment for the efficient use of knowledge for economic development (Figure 1). KEI is an aggregate index, which measures the country's readiness for the development of the knowledge economy. It is calculated as the average of the normalised performance of the country on all four pillars related to knowledge economy: economic and institutional regime, education and skills, ICT infrastructure, and innovation system (Chen & Dahlman, 2005).

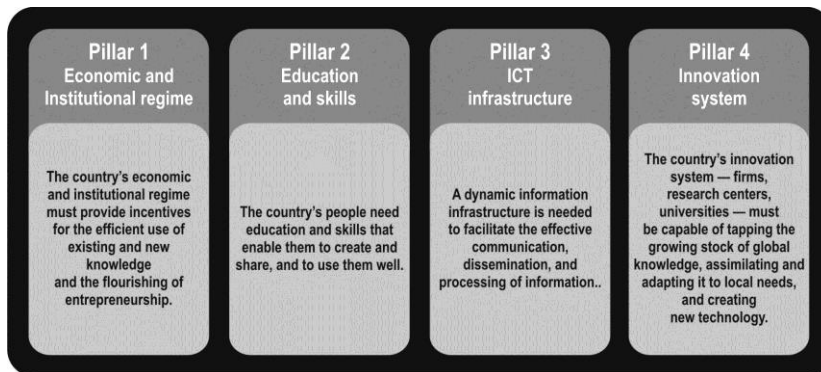


Fig. 1 Description of the pillars of the knowledge economy

(Source: Knowledge Assessment Methodology 2012, www.worldbank.org/kam)

Economic and institutional regime provides incentives for efficient use of existing and new knowledge, and leads to the affirmation of entrepreneurship. Educated and adequately trained population can create, share, and use knowledge. Companies' efficient innovation system, research centres, universities, consultants, and other organisations can be incorporated into the growing actions of global knowledge, assimilate, and adapt to local needs, and create new technology. Modern and affordable ICT infrastructure can facilitate effective communication, dissemination, and processing of information.

KI is an indicator of the total potential for the development of knowledge in a country, and measures its ability to create, adopt, and expand knowledge. It is calculated

as the average of the normalised performance of the most important indicators of a country or a region, included in the first three pillars of the knowledge economy.

Measuring and comparing countries on the basis of this methodology is suitable for providing a preliminary assessment of the development of knowledge economy. It provides a quick and concise insight into the major strengths and weaknesses, as well as areas in which progress has been made.

2.2. Global Innovation Index (GII)

The existence of a strong correlation between innovation and economic development has been documented in economic history and confirmed in economic theory (Grossman & Helpman, 1991; Cimoli & Dosi, 1995; Helpman, 1998). Recognising this fact, in 2007 INSEAD developed GII, in order to measure the achieved level and changes in innovativeness, and to identify obstacles that hinder the growth of innovativeness and, consequently, economic and social development of the observed countries. The main aspiration is to find indicators that best track the growth of innovativeness of the economy.

GII combines various indicators of innovativeness, which are obtained on the basis of carefully selected and weighted variables. Its main characteristic is that it is in the process of continuous improvement, so that it could track innovativeness in countries with different levels of development in the best possible way. The developers of GII started from the fact that innovativeness is important for economic growth and improving competitiveness, both for developed and developing countries. This approach supports the modern understanding of innovativeness that is not limited only to the results of research and development and the number of published scientific papers (Greenhalgh & Rogers, 2010).

Global Innovation Index (GII) relies on two sub-indices, the Innovation Input Index and the Innovation Output Index, each composed of the pillars (Figure 2). The relationship between Innovation Output Index and Innovation Input Index is indicated by Innovation Efficiency Index (IEI).

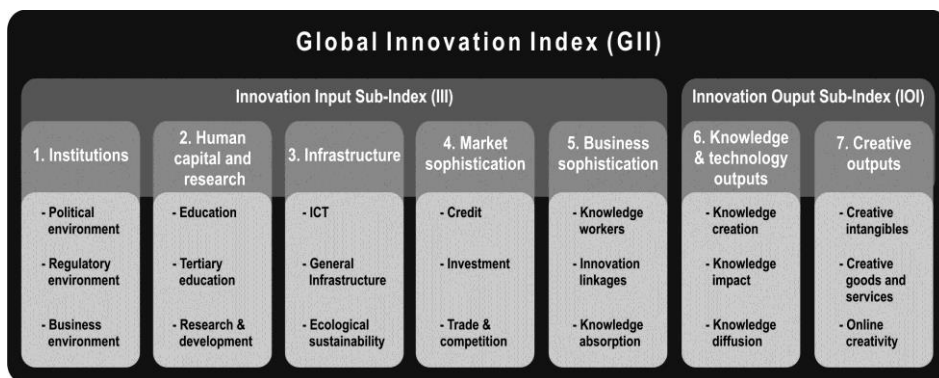


Fig. 2 Description of components of the Global innovation index
(Source: The Global Innovation Index, INSEAD & WIPO, 2012-2013.)

2.3. Global Competitiveness Index

By far the most commonly used approach to quantifying the competitiveness of countries is the GCI model that has been developed by Jeffrey Sachs and John McArthur in 2001, and which was first introduced in the Global Competitiveness Report 2001-2002 of the World Economic Forum. GCI is now considered the best and most comprehensive indicator of the competitiveness of countries. GCI groups the factors of competitiveness of countries into twelve pillars, given in Figure 3 (The Global Competitiveness Report, 2012-2013, INSEAD & WIPO).



Fig. 3 Description of components of the Global competitiveness index
(Source: The Global Competitiveness Report, 2012-2013, WEF)

The priorities of the policy of improving competitiveness depend on the stage of economic development of the observed economy. Depending on the stage in which the economy of a particular country is found, the factors are classified into three groups and receive different weights during GCI quantification.

In the initial stage of development, the economy can compete on the basis of the relative abundance of factors of production. In the following stage, the most important generators are efficiency and quality of products, while in the third stage of development, countries can maintain a high living standard solely on the basis of innovativeness (Sala-i-Martin et al., 2010). Although the results of all twelve pillars are displayed separately, it is important to know that they are not independent. On the contrary, they are intertwined, so that weaknesses in one area usually have a negative impact on other areas.

3. RESULTS AND DISCUSSION

Assessment of CEFTA countries and the selected EU countries in respect of the achieved level of readiness for the development of knowledge economy, innovativeness and competitiveness begins by reviewing the values of the composite index at the level of individual countries. In order to evaluate the relative position of CEFTA countries in

relation to the selected EU countries, the analysis continues in the direction of comparative presentation of the observed characteristics by selected groups of countries, where the observed characteristics are given as the average of the results that the observed groups achieved in the field of readiness for the development of knowledge economy, innovativeness and competitiveness. In the next step, cluster analysis is performed, with the aim of testing the level of difference in terms of the parameters KEI, GII, and GCI, and accordingly performing the grouping of the observed countries into clusters, and detecting members of the observed groups that exhibit large deviation from the rest of the group. Finally, correlation analysis points to the degree of correlation of the observed indices, in respect of CEFTA countries and the selected EU countries.

Table 1 provides an overview of the values of KEI, GII, IEI, and GCI. The last column presents the values of GDP per capita for the analysed countries in 2013.

Table 1 The values of the observed indices and GDP per capita of CEFTA countries and the selected EU countries

Country/Region	KEI (1-10)	GII (0-100)	IEI (0-1)	GCI (1-10)	GDP per capita (US\$)
Albania	3.85	30.90	0.60	4.53	3,912
B&H	4.02	36.20	0.70	5.12	4,461
Montenegro	4.20	41.00	0.70	/	6,881
Macedonia	4.14	38.20	0.70	5.65	4,682
Moldavia	3.94	40.90	1.10	4.92	2,037
Serbia	3.77	37.90	0.80	6.02	4,943
CEFTA	3.98	37.50	0.77	5.25	4,486
Bulgaria	4.31	41.30	0.90	6.80	7,033
Croatia	4.13	41.90	0.80	7.29	12,971
Hungary	4.25	46.90	0.90	8.02	12,735
Slovakia	4.10	42.20	0.70	7.64	16,899
Slovenia	4.25	47.30	0.80	8.01	22,192
Romania	4.13	40.30	0.90	6.82	7,934
Selected EU countries	4.19	43.32	0.83	7.43	13,294

Source: Knowledge Assessment Methodology 2012, www.worldbank.org/kam; The Global Innovation Index 2012, INSEAD & WIPO, and The Global Competitiveness Report, 2012-2013 WEF.

Data given in Table 1 confirm the significant lag of CEFTA countries by all indicators in relation to the group of selected EU countries. In 2013, the value of KEI for CEFTA is 5.25, and 7.43 for the control group. The lag of CEFTA countries in relation to the group of selected EU countries is even more pronounced when considering the value of GII. Regarding the parameter GDP per capita, the gap is evidently alarming, because CEFTA countries barely reach one-third of the average values of the selected EU countries. The average value of the GCI for CEFTA group is 3.98, and 4.19 for the selected EU countries.

Figure 4 illustrates the relationship among the average values of the *observed composite indices* for CEFTA countries and the selected EU countries.

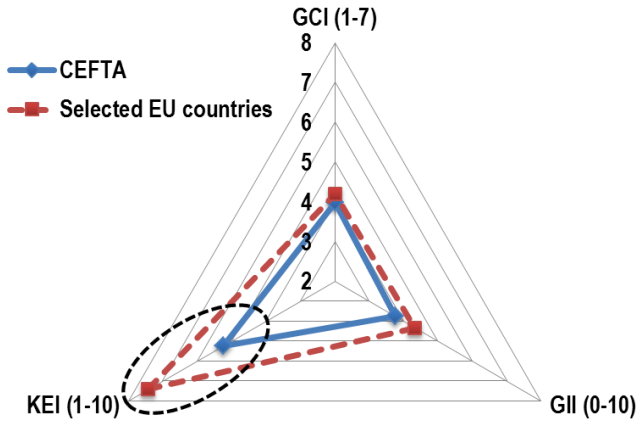


Fig. 4 Comparison of the observed variables

Comparative review of the observed indices indicates that CEFTA countries are lagging behind the selected EU countries mostly in respect of KEI value, while other parameters exhibit milder gap.

Figure 5 provides somewhat more detailed information, showing the average values of the observed variables in the 2011, 2012, and 2013, year.

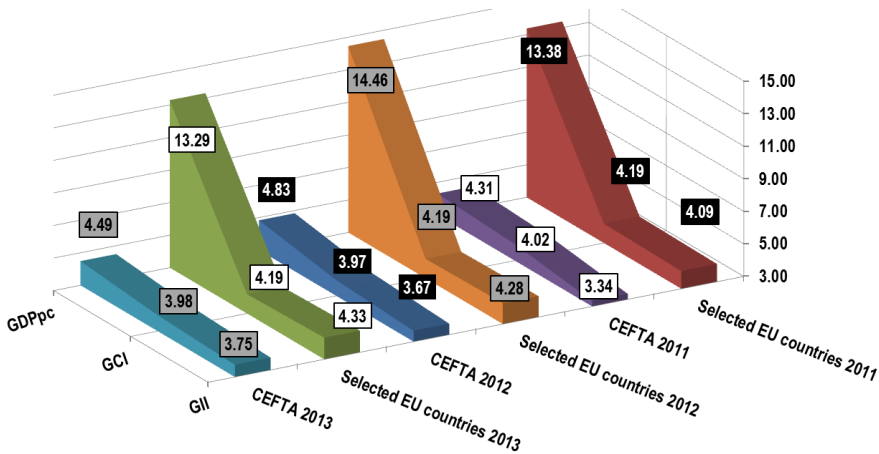


Fig. 5 Diagram of the average values of the observed variables in the period 2011 – 2013

3D area chart in Figure 5 shows that the average value of GCI, after a slight decline in 2012 compared to 2011, records slight growth in 2013, in respect of CEFTA countries. On the other hand, the average value of GI records growth in both groups of countries in this period. At the level of the selected group of EU countries, the average value of GCI shows unchanged value in the examined time interval. GDP per capita has similar cyclical trend in both analysed groups, with CEFTA countries significantly lagging behind the group of selected EU countries.

For the purpose of classification of the selected countries in two or more groups, based on their differences in terms of all observed variables (GCI, GII, KEI, and GDP per capita), cluster analysis has been conducted. The intention has been to use this multivariate technique to show the depth of the gap between the selected countries.

Figure 6 shows the dendrogram of the performed cluster analysis. X axis shows the level of difference between the analysed countries.

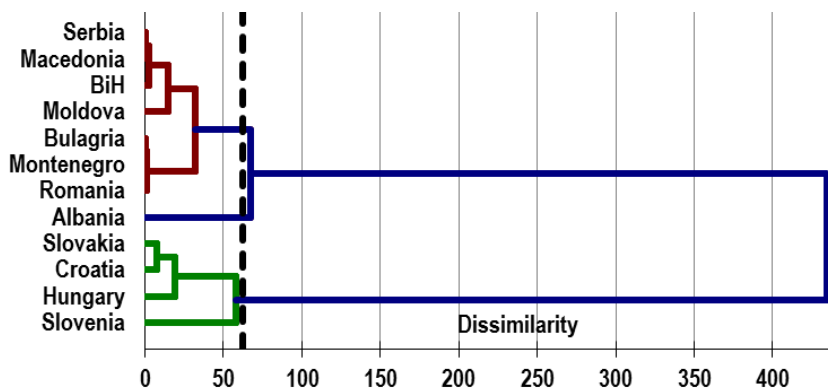


Fig. 6 Dendrogram of performed cluster analysis (Source: Authors)

In the process of grouping (clustering according to the data given in Table 1) of 6+6 selected countries (CEFTA countries and the selected EU countries), the bottom-up method of agglomerative hierarchical clustering has been used. In the initial step, each country has been treated as a separate cluster. Their grouping, based on similarities in terms of the values of the observed variables, in pairs of clusters, is the result of all subsequent iterations of grouping, until the observed entities have been consolidated within a single cluster. If the level of difference at about 60 is taken as a possible cross-section of the dendrogram, three clusters of observed countries can be clearly identified. The first cluster consists of 4 EU members, the second cluster includes only Albania, while the third cluster includes the remaining members of CEFTA and Romania and Bulgaria from the group of selected EU countries.

At the level of difference slightly greater than 65, Albania joins the third cluster. However, only at the level of diversity of about 450, the formation of a single cluster occurs, which indicates a significant gap between the first cluster (the selected EU countries without Bulgaria and Romania) and CEFTA countries.

On the other hand, there are also important differences among the countries within the clusters. The smallest difference among the members is seen within two subclusters: 1) Serbia, B&H, and Macedonia, and 2) Bulgaria, Romania, and Montenegro. Bulgaria and Romania are much closer to CEFTA countries than the rest of the selected EU countries.

Through linear correlation analysis, we have tried to get an answer to the question of whether there is a significant difference in terms of the degree of correlation among the analysed variables between the observed groups of countries. Since the analysis included reciprocal linear correlation between the two variables, methods of simple linear correlation analysis were used.

Matrix (Figure 7, 8, and 9) shows the correlation coefficients between the observed variables, according to the latest available data for groups of selected countries.

1	0.49	-0.18	0.02	0.50	GCI
0.49	1	0.63	0.44	0.14	GII
-0.18	0.63	1	0.04	-0.64	IEI
0.02	0.44	0.04	1	0.40	KEI
0.50	0.14	-0.64	0.40	1	GDP pc
GCI	GII	IEI	KEI	GDP pc	

Fig. 7 Correlation matrix (Pearson) – CEFTA countries
(Source: Authors)

Correlation matrix by R (Figure 7) gives a numerical measure of the potential correlation of the analysed parameters of CEFTA countries. The values of correlation coefficients point to a weak correlation, i.e. to the existence of weakly expressed linear correlation between the observed variables in countries covered by the sample. The values of correlation coefficients between KEI and GII ($R = 0.44$) and GII and GCI ($R = 0.49$) indicate that there is no statistically significant linear correlation between the observed variables.

It is noted that all analysed correlations have the value of R that is significantly below 0.7, and are not significant for further consideration (less than the limit value equalling 0.811 for the level of significance of 5%). This is an indication that CEFTA countries do not base their competitiveness on innovativeness and knowledge economy, which is logical, given the amount of their GDP per capita.

1	0.46	0.55	0.11	-0.08	GCI
0.46	1	-0.03	0.91	0.69	GII
0.55	-0.03	1	-0.38	-0.68	IEI
0.11	0.91	-0.38	1	0.82	KEI
-0.08	0.69	-0.68	0.82	1	GDP pc
GCI	GII	IEI	KEI	GDP pc	

Fig. 8 Correlation matrix (Pearson) – the selected EU countries
(Source: Authors)

When the correlation matrix for the control group of countries is taken into consideration, it can be seen that the strongest correlation exists between GDP per capita and KEI ($R = 0.82$) and KEI and GII ($R = 0.91$). The values of correlation coefficients indicate the presence of high linear correlation. This indicates a strong potential of correlation of these indices in countries covered by the sample. As for the correlation between the variables GII and GCI, the value of the correlation coefficient ($R = 0.46$) indicates that there is no statistically significant linear correlation between the observed variables.

Upon testing the hypothesis of a linear correlation between the observed variables, with a probability level of significance test of 0.05, it can be concluded that there is a statistically significant linear correlation between variables GDP per capita and KEI and variables KEI and GII.

All other analysed correlations have the value of R below 0.7, and are not significant for further consideration (less than the limit value equalling 0.811 for the level of significance of 5%). This indicates that the countries included in the control group significantly base their innovation potential and GDP on the knowledge economy. However, in this group of countries, no impact of the knowledge economy on the competitiveness of the economy is detected.

Based on the cluster analysis, Romania and Bulgaria have been omitted from the selected group of EU countries, and correlation analysis was performed with the data on countries that have been grouped in the first cluster (Czech Republic, Slovenia, Croatia, and Hungary) (Figure 9).

1	0.99	0.76	0.86	-0.30	GCI
0.99	1	0.66	0.93	0.40	GII
0.76	0.66	1	0.45	-0.39	IEI
0.86	0.93	0.45	1	0.44	KEI
0.30	0.40	-0.39	0.44	1	GDP pc
	GCI	GII	IEI	KEI	GDP pc

Fig. 9 Correlation matrix (Pearson) – the selected EU countries without Romania and Bulgaria
(Source: Authors)

When the correlation matrix for the first cluster of countries is taken into consideration (Scheme 8), it can be seen that the strongest correlation exists between GII and GCI ($R = 0.99$), as well as between KEI and GII ($R = 0.93$). The values of correlation coefficients indicate the presence of very high linear correlation between innovativeness and competitiveness (limit value of R is 0.95 for the level of significance of 5%). As for the correlation between the knowledge economy and innovativeness, the correlation is statistically significant for the level of significance of 10% (when the limit value for R is 0.9).

CONCLUSION

Radar chart analysis shows that CEFTA countries are significantly lagging behind the selected EU countries according to the observed indicators of GCI, GII, and KEI. The most prominent recorded lag exists in respect of the parameter KEI. In addition, there is a slight growth of GCI in CEFTA countries, and stagnation in the group of selected EU countries, as well as the tendency of growth of GII over the last three years in both groups of countries.

If the level of difference of about 60 is taken as a possible cross-section of the dendrogram, three clusters of observed countries can be clearly identified. The first cluster consists of 4 members of the EU, the second cluster includes only Albania, while the third cluster includes the remaining members of CEFTA and Romania and Bulgaria from the group of EU countries. Already at the level of difference slightly greater than 65, Albania joins the third cluster. However, only at the level of diversity of about 450, can a single cluster be formed, which indicates a significant gap between the first cluster (the selected EU countries without Bulgaria and Romania) and CEFTA countries.

On the other hand, there are also important differences among the countries within the cluster. The smallest difference among the members is seen in two subclusters: 1) Serbia, B&H, and Macedonia, and 2) Bulgaria, Romania, and Montenegro. Bulgaria and Romania are much closer to CEFTA group than to the rest of the selected EU countries, which suggests that EU membership is not in itself a guarantee of relatively rapid progress towards the knowledge economy.

Linear correlation analysis has revealed that in respect of CEFTA countries there is no statistically significant KEI-GII correlation, indicating the absence of potentially basic correlation between the achieved level of knowledge economy and innovativeness of these countries. In addition, for CEFTA countries, no statistically significant correlation between GII and GCI has been detected, which indicates that the competitiveness of these countries is not significantly based on innovativeness.

In contrast, for the group of selected EU countries, a very strong direct correlation between GDP per capita and KEI, and KEI-GII has been established, as well as between GII and GCI for the group of EU countries without Romania and Bulgaria. This suggests that the competitiveness of these countries relies heavily on the innovation potential and the achieved level of knowledge economy.

The lack of significant correlation between the observed parameters for CEFTA countries suggests that these countries do not rely on their innovation potential and the achieved level of knowledge economy in their struggle for competitiveness on the global market. In fact, it is likely that countries with higher GDP per capita can invest more in the process of creation and diffusion of knowledge. Correlation in itself does not allow us to predict with certainty whether the strengthening of certain forms of knowledge in CEFTA countries in the coming period will result in the growth of innovativeness of these countries. However, this study clearly shows that CEFTA countries are not so objectively capable to follow the set EU's goal to become the most developed knowledge economy by continuously transforming their economies to knowledge economies. Despite the fact that most members of CEFTA want to become EU members, it is interesting that even small differences in the levels of GCI and GII indices result in large differences in the level of GDP per capita. Further research would involve deepening the analysis and inclusion of the time component, in terms of testing the so-called lag effect, and giving more accurate prediction in respect of this issue. More specifically, can the lack of development of the knowledge economy, innovativeness and competitiveness be a limiting factor for entry into the EU?

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PERSPEKTIVE ZA RAZVOJ EKONOMIJE ZNANJA, INOATIVNOST I KONKURENTNOST ZEMALJA CEFTA

Znanje i inovativnost predstavljaju ključne determinante konkurentnosti zemalja u savremenim uslovima privređivanja. Polazeći od ovih činjenica, u radu je data komparativna analiza spremnosti za razvoj ekonomije znanja, dostignuti nivo inovativnosti i konkurentnosti zemalja uključenih u Centralnoevropski Sporazum o slobodnoj trgovini -CEFTA i selektovane grupe bivših članica ovog sporazuma, a danas zemalja Evropske unije iz njihovog najbližeg okruženja. Cilj studije je da proceni razlike u nivoima spremnosti za razvoj ekonomije znanja, inovativnosti i konkurentnosti ove dve grupe zemalja. Rezultati istraživanja su potvrdili značajno zaostajanje zemalja CEFTA za selektovanim zemljama EU.

Ključne reči: konkurentna prednost, inovativnost, ekonomija znanja, CEFTA, selektovane zemlje EU

IMPERATIVES OF STRATEGY IN HUMAN RESOURCE TRAINING OF SMALL AND MEDIUM SCALE ENTERPRISES IN NIGERIA

UDC 005.96(669)

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Abstract. *This study focused on the imperatives of strategy in human resource training for Small and Medium scale Enterprises in Nigeria. This study aimed at investigating whether Strategic Human Resource Training can facilitate the achievement of SMEs growth objectives in Nigeria. This study selected 18 Micro-Small and Medium Scale Enterprises in Nigeria, with the population of 232 (32 SME owners and 200 employees). The study determined its sample size through Taro Yamane sampling method, and used Bowler's Proportional Allocation formula to distribute samples to its varying universe. Data and information were gathered through primary and secondary sources. This study analyzed the data collected with descriptive method and tested hypothesis with Likert statistical method. The study revealed that Strategic Human Resource Training can facilitate the achievement of SMEs growth objectives in Nigeria. Thus, the study concluded that strategic human training programme can serve as the bedrock of success for SMEs, and can engineer knowledge, initiatives, innovativeness and confidence, competitiveness and the achievement of positive payoff. The study therefore recommends that SME owners should integrate effective strategy to human resource training such that growth objectives can be facilitated and achieved.*

Key words: *human resource training, strategy, growth objectives, business game, talent war.*

INTRODUCTION

Recently, much attention has shifted to the management of human resources by many business firms including small and medium scale enterprises around the globe. According to Chan (2009), human resource is critical to the success of business operations and future expansion; in other words, human resources are pertinent to small and medium firms to gain

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competitive advantage and for long term survival, and thus a deeper understanding of managing human resource in the small firm is vital. This implies that human factors form the real stuff, brain box and distinctive capability of small and medium firms.

One of the several issues raising phobia for SME owners in Nigeria is how to train human factors distinctively. In alignment with this, Cole (2005) alarmed that training and development of employees is an issue that has to be faced by every organization. It is not argued that SMEs contribute hugely to job creation, but developing human resources is a strategic issue. Training and skills development is significantly lower in SMEs than in large enterprises – with SMEs involved in up to 50% less training than larger firms, (OECD, n.d.). Few SME owners who practice human resource training did not incorporate strategy to training programmes and its benefits are far reaching. Clearly, if smaller firms are to maximize their human resource potential, such organizational learning needs to be generated throughout the range of their HRM activities and clearly tied to broader strategic issues (Beaver and Hutchings, 2005). SME owners have contributed to the mediocrity of their businesses due to their myopic view regarding the business financial capacity and other limitations. Indeed, the present business game poses threats to business firms that avoid the adoption of strategy in their human resource training. In this regard, Iwarere (2009) alarmed that many businesses today are finding it difficult to realize their ultimate goals because of the effects of the competing firms that are eroding their market shares. Incorporating strategy to human resource training has a payoff (competitive advantage or positive payoff where the strategy is winning) and can distinguish the business firm's intellectual capacity. When outwitting strategy is combined with HR training system, competitive strength therefore increases, and success becomes more feasible; as the competitive position of other business firms becomes threatened and unstable. Thus, the application of strategy to human resource training will make SME owners proactive and reactive where necessary. Training, in all its forms, should be kept simple by 'stopping the guessing' and 'starting the knowing', with the need to reflect, rethink and respond, (O'Regan et al., n.d.).

Vemić (2007) is right that organizational development is always conditioned by human knowledge and skills, but distinctive knowledge and skills of today make a good talent. For an organization to achieve its specified objectives, it must invest in training of its employees and also arrange their talents, skills and expertise, (Faloye, 2003). Thus, strategic human resource training is necessary for SMEs in the pursuance of objectives in Nigeria. It is observed that there has been relatively little or no research conducted on the imperative of strategy in human resource training for SMEs growth objectives in Nigeria.

Research objectives

The main objective of the study is to investigate the imperatives of strategy in human resource training for small and medium scale enterprises in Nigeria. Thus, the specific objective of the study is to investigate the extent at which strategic human resource training can facilitate the achievement of SMEs growth objectives in Nigeria.

Research hypotheses

Based on the objectives above, the study drew one testable hypothesis as stated below:

H₀: Strategic Human Resource Training cannot facilitate the achievement of SMEs growth objectives in Nigeria.

H₁: Strategic Human Resource Training can facilitate the achievement of SMEs growth objectives in Nigeria.

1. LITERATURE REVIEW

Training is an integral part of the 21st century business entities, not minding its size but the competitive situation in which it found itself. In a previous study, Goldstein and Ford (2002) stressed that training and development play an important role in the effectiveness of organizations and in the experiences of people in work. In order to ensure that our employees are equipped with the right kind of skills, knowledge and abilities to perform their assigned tasks, training and development play their crucial role towards the growth and success of our business, (Niazi, 2011). The achievement of business goal is subject to how well necessary knowledge and skills are gathered and utilized. Vemić (2007) added that knowledge that is not necessary is exactly what it is: unnecessary, and the efforts to obtain it are wasted efforts.

According to Manole et al (2011), training is focused on human potential development, and will help individuals to grow both professionally and also in terms of socio-cultural factor. Basically, training and development of employees focus on how corporate goals can be achieved through organizational people, but the adoption of effective strategy makes it distinctive and competition oriented. In a recent study, Nafiu et al. (2014) pinpointed that business games are increasingly becoming fierce, and avoidance of the application of strategy by the playing firms could be dangerous. Thus, Strategic Human Resource Training is a long-term oriented distinctive approach to managing knowledge for corporate and competition purposes. SHR training plays a pivotal role in distinguishing the giants firms from the small firms in a business game. Meanwhile, it is not the financial capability that makes some firms distinguished, but their ability to engage in distinctive thinking to map out outwitting strategy.

1.1. Human resource training's strategic plans

Onah (2008) is of the view that training plan is a systematic statement of training intentions and the means by which they are to be achieved and measured. His view seems to focus on the short-term sequential training task to be undertaken, but when it is long-term oriented it becomes a strategic plan. However, human resource training strategic plan is a master plan stating how the knowledge and skills of organizational people will be acquired, and acculturated into the dynamic nature of business competition. Human resource training strategic plan does capture the overall organization's intents or functional intents, and must align with the corporate strategy. Obisi (2011) posited that planned training consists of the following steps:

- i. Identify and define training needs
- ii. Define the learning required in terms of what skills and knowledge have to be learnt and what attitudes need to be changed.
- iii. Define the objectives of the training
- iv. Plan training programs to meet the needs and objectives by using right combination for training techniques and locations.
- v. Decide who provides the training
- vi. Evaluate training.
- vii. Amend and extend training as necessary.

1.2. Imperatives of strategic human resource training for SMEs

The changing trends in the business environment demand flexible approaches such as consistent training of employees for diverse knowledge in response to the dynamism of the business world. Though, Beaver and Hutchings (2005) argued that small businesses overwhelmingly use on-the-job training (OJT) because of its low cost and their preponderance to use ad-hoc training, where provided. It must be noted that different small and large business firms engage in similar training task with distinctive approaches. This is because competition in the business game requires doing training task better than others, and it entails the adoption of outwitting strategy. According to Nafiu et al. (2014), survival of a small business firm is so threatened by the activities of other business firms today that there is emergent need for the integration of strategy to competitive situation. This conforms to the argument of Jhingan (2006) that true competition consists of the life of constant struggle and rival against rival. The application of strategy in training activities has a distinguishing power, and Nafiu et al. (2014) stated that a small business must not only develop a strategy, but an effective strategy. Nevertheless, factors that often prone or force business firms to engage in training task, regardless of size and shape, can be divided into three:

- i. Competitive situation: This involves the drive towards maintaining competitive position.
- ii. Effectiveness and efficiency: This involves doing the right thing, and doing it appropriately.
- iii. Dynamism of the business environment: This has to do with the changing nature of the business environment posing threats and opportunities for business firms.

1.3. The benefits of strategic human resource training and development

According to Goldstein and Ford (2002), training has implications for productivity, health and safety at work and personal development. Hence, the benefits of strategic human resource training and development may be dichotomized into two parts as follow:

On the part of employees

- i. It gives employees an overview of the corporate strategy, and deep sense on how the corporate goals can be pursued.
- ii. It makes employees become distinguished talents and develops capability for any business firms.
- iii. Employees may become conversant with handling strategic issues.
- iv. Wastage resulting from trial and error becomes minimal
- v. It makes employees more flexible to cope with the dynamism of business games.
- vi. Effectiveness and efficiency of employees in job performance become increasing.

On the part of business firms

- i. It makes the business firm proactive on one hand and reactive on the other hand
- ii. It distinguishes the business firm and its employees from others in the business environment.
- iii. It enables the business firm's employees to take initiatives and proffer solutions to operation problems
- iv. It improves competencies and performances of work teams.

1.4. Talent war and the place of strategic approach for SMEs in Nigeria

There is no better search for talent than investing or building the human capital at your disposal strategically. It is noticeable that small business owners often engage in spiritual warfare not only in competition, but also in the struggle for talents. The struggle for talent among SMEs in Nigeria showcases nonchalant approach to business goals and contributory negligence to its mediocrity; and often translates into business entropy. The old thought of SME owners is that the use of strategy is constrained by its complexity, high cost, and time-consumption. Beaver and Hutchings (2005) pinpointed that these factors result in what can only be viewed as a lack of strategic management of human resources within the majority of SMEs. Though, many business owners, managers and researchers believe that small businesses are limited by their resources to carry out the formulation and implementation of effective strategy (Nafiu et al., 2014). Some SME owners will engage themselves in some personal interrogations such as :

- i. Does strategy really matter for small business firms’ talent hunt?
- ii. How do we analyze its cost-benefit?
- iii. What happens if the strategy fails?

The market giants never fail even when their strategy fails. According to Nafiu et al. (2014), effective strategy in itself can only serve as a road map and not as a guarantee for the achievement of a corporate goal. Strategic HR training involves distinctive thinking and expertise in shaping employees’ knowledge and skills for competitive edge. Thus, a strategically trained employee will possess a distinctive knowledge and skill that give SMEs competitive capacity and distinctive character.

2. RESEARCH METHODOLOGY

The study used survey method. This study was conducted in Nigeria, surveying some selected Micro-Small and Medium Scale Enterprises. The study selected 18 Micro-Small and Medium Scale Enterprises, totaling the population of 232 (32 SME owners and 200 employees). For this work, Taro Yamane (1964) sampling method was adopted to determine the sample size. The formula and calculation are shown below as:

$$n = \frac{N}{1 + N(e)^2}$$

$$n = \frac{232}{1 + 232(0.05)^2} = \frac{232}{1 + 232(0.0025)} = \frac{232}{1 + 0.58} =$$

$$= \frac{232}{1.58} = 146.835 = 147 \text{ approximately}$$

Where; n – The desired sample size

N – The population size under study

e – The limit of tolerable error assumed to be 0.05

1 – Unity (always constant) in value

Bowler’s Proportional Allocation formula was adopted, as shown below, to allocate samples to the population. Thus, the study used stratified random sampling technique which entailed grouping respondents into strata on the basis of common characteristics.

The study therefore, applied simple random sampling technique to select the required sample size.

$n_1 = \frac{n(n_1)}{N}$ Where n = Overall sample size; n_1 = Population of each group of potential respondents; N = The Total Population.

$$\text{SME owners} = \frac{147(32)}{232} = 20 \quad \text{Employees} = \frac{147(200)}{232} = 127$$

This study used primary and secondary sources for gathering reliable data and information. The primary sources of data include the personal interview, observation and structured questionnaire. The secondary sources include text books, journals and the Internet. This study analyzed the data collected with descriptive method and tested hypotheses with Likert Scaling statistical method.

3. DATA PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS

Table 1 Questionnaire administration

Single	SMEOwners	Employees	Total	
			Frequency	Percentage
Questionnaire	20	127	147	100.0
Distributed	19	116	135	91.8
Unreturned	1	11	12	8.2

Source: Field Survey, 2015

Table 1 shows that 147 questionnaires (100%) were administered; 135 questionnaires (91.8%) were returned; and 12 questionnaires (8.2%) were not returned. For the purpose of analysis, the total number of the questionnaires returned was worked upon.

Table 2 Respondents' marital status

Single	SMEOwners	Employees	Total	
			Frequency	Percentage
Single	4	48	52	38.5
Married	15	47	62	45.9
Divorcee	–	17	17	12.6
Widow(er)	–	4	4	3.0
Total	19	116	135	100.0

Source: Field Survey, 2015

Table 2 depicted that 52 respondents (38.5%) were single; 62 respondents (45.9%) were married; 17 respondents (12.6%) were divorced; and 4 respondents (3.0%) were widowed.

Table 3 Respondents' qualifications

Single	SMEOwners	Employees	Total	
			Frequency	Percentage
SSCE	–	7	7	5.2
OND/NCE	2	25	27	20.0
HND/B.Sc	10	68	78	57.8
M.Sc/MBA	3	15	18	13.3
Others	4	1	5	3.7
Total	19	116	135	100.0

Source: Field Survey, 2015

Table 3 shows that 7 respondents (5.2%) were holders of SSCE; 27 respondents (20.0%) were holders of OND/NCE; 78 respondents (57.8%) were holders of HND/B.Sc; 18 respondents (13.3%) were holders of M.Sc/MBA; and 5 respondents (3.7%) held other certificates which are not specified.

Table 4 Responses regarding the SME owners' adoption of strategy to managing employees

Single	SMEOwners	Employees	Total	
			Frequency	Percentage
Yes	–	17	17	12.6
No	19	99	118	87.4
Not sure	–	–	–	–
Total	19	116	135	100.0

Source: Field Survey, 2015

Table 4 shows that 17 respondents (12.6%) expressed that SME owners do adopt strategy in managing their employees in Nigeria; and 118 respondents (87.4%) expressed that SME owners do not adopt strategy in managing their employees in Nigeria.

Table 5 Responses regarding the benefits of strategic human resource training program

Single	SMEOwners	Employees	Total	
			Frequency	Percentage
Yes	14	62	76	56.3
No	3	9	12	8.9
Not sure	2	45	47	34.8
Total	19	116	135	100.0

Source: Field Survey, 2015

Table 5 shows that 76 respondents (56.3%) thought that strategic human resource training programme is beneficial to both employees and SME owners; 12 respondents (8.9%) thought that strategic human resource training programme cannot benefit both employees and SME owners; and 47 respondents (34.8%) were not certain whether or not strategic human resource training programme can benefit both employees and SME owners.

Table 6 Responses regarding the extent at which strategic human resource training can facilitate the achievement of SMEs growth objectives in Nigeria

Single	SMEOwners	Employees	Total	
			Frequency	Percentage
Very Great Extent	5	59	64	47.4
Great Extent	6	31	37	27.4
Moderate Extent		11	14	10.4
Low Extent	5	8	13	9.6
Very Low Extent	1	6	7	5.2
Total	19	116	135	100

Source: Field Survey, 2015

Table 6 shows that 64 respondents (47.4%) opined that strategic human resource training can facilitate the achievement of SMEs growth objectives in Nigeria to a very great extent; 37 respondents (27.4%) opined that strategic human resource training can facilitate the achievement of SMEs growth objectives in Nigeria to a great extent; 14 respondents (10.4%) opined that strategic human resource training can facilitate the achievement of SMEs growth objectives in Nigeria to a moderate extent; 13 respondents (9.6%) opined that strategic human resource training can facilitate the achievement of SMEs growth objectives in Nigeria to a low extent; and 7 respondents (5.2%) opined that strategic human resource training can facilitate the achievement of SMEs growth objectives in Nigeria to a very low extent.

3.1 Test of hypothesis

Table 7

Single	Frequency (F)	Rating (X)	FX
Very Great Extent	64	5	320
Great Extent	37	4	148
Moderate Extent	14	3	42
Low Extent	13	2	26
Very Low Extent	17	1	17
Total	135	15	553

$$\text{Likert} = \frac{\sum FX}{N} = \frac{553}{135} = 4.10$$

$$\text{Mean Point of Scale} = \frac{\sum X}{n} = \frac{15}{5} = 3.00$$

$$\text{Cut-off Point} = \text{Mean} + e = 3.00 + 0.05 = 3.05$$

Decision

Since the calculated Likert is greater than the cut-off point (that is, Likert = 4.10 > Cut-off Point = 3.05), and the decision rule states that where the calculated Likert is greater than the cut-off point, the statement is regarded as valid and effective. Thus, the

null hypothesis is rejected and the alternative hypothesis accepted. We therefore uphold that Strategic Human Resource Training can facilitate the achievement of SMEs growth objectives in Nigeria.

3.2 Discussion of findings

The present study discovered that only few SME owners usually adopt strategy to managing their employees. This aligns with the findings of Chan (2009) that staff training in small firms within the accommodation sector is commonly carried out in an unstructured and informal manner based on job instruction. The study observed that the enterprises of these few owners are apparently healthy and have future tendencies of growth compared to others who avoid strategy in managing their employees.

This study also discovered that when strategy is applied to human resource training programme, both employees and SME owners stand to benefit a lot. Though, it was also discovered that those respondents who do not appreciate the potentials of strategy are with little or no educational background, and run their enterprises without clear vision and mission. Strategic human resource training programme may give employees distinctive prowess and enable distinctive organizational capacity in both competition and market control. This finding also serves as correction to the discovery of the study by Vemić (2007) that employees view the training as an imposed obligation, rather than a way to maximize their potential and they do not realize that by improving their performances and innovation of their knowledge they may contribute to better business results of the organization they belong to.

This present study also discovered that Strategic Human Resource Training can facilitate the achievement of SMEs growth objectives in Nigeria. Meanwhile, the study also discovered through interviews that strategic training programme is the bedrock of the success of most industrial tigers (giant firms) today, and can engineer knowledge, initiatives, innovativeness and confidence, competitiveness and the achievement of positive payoff. This simply indicates that three major factors (pessimism, illiteracy and lack of clear vision and mission) discourage SME owners in the adoption of strategy since the fact is known and been avoided.

CONCLUSION

In today's business environment, human resource training is a viable approach for competitive situation that is placing opportunities and threats before business firms regardless of their sizes. Human Resource Training will establish a platform for SMEs to cope with environmental change through its people, especially when strategy is not lagging.

Many business firms today engage in business game to strive for success in different dimension. It is obvious that too many business firms pursue similar interests, which then intensifies the fierceness of competition. Hence the adoptions of strategic approach by few SME owners to managing their employees. The application of strategic approach to human resources training program is apparently healthy and has future tendencies of growth compared to others who avoid strategy in managing their employees. Furthermore, when strategy is applied to human resource training programme, both employees and SME owners stand to benefit a lot. This is because strategic human resource training programme

anchors employees' distinctive prowess and enables distinctive organizational capacity in both competition and market control. Thus, strategic training programme can serve as the bedrock of success for SMEs, and can engineer knowledge, initiatives, innovativeness and confidence, competitiveness and the achievement of positive payoff.

Recommendations

Based on the aforementioned findings, the study therefore recommends that:

- i. SME owners should adopt effective strategy in managing their employees so that corporate goals can be achieved appropriately.
- ii. SME owners should also investigate into the success of giant firms' training programmes and copy their strategies where necessary.
- iii. SME owners should establish a clear vision and mission, and possess at least average level of knowledge and skills as the baseline for understanding and formulating strategy.

SME owners should integrate effective strategy to human resource training so that growth objectives can be facilitated and achieved.

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IMPERATIVI STRATEGIJE U OBRAZOVANJU LJUDSKIH RESURSA U MALIM I SREDNJIM PREDUZEĆIMA U NIGERIJU

Ova studija se bavi imperativima strategije u obrazovanju ljudskih resursa u malim i srednjim preduzećima u Nigeriji. Ova studija ima za cilj da istraži da li Strateška obuka ljudskih resursa može da olakša rast malih i srednjih preduzeća u Nigeriji. Studija je obuhvatila 18 mikro-malih i srednjih preduzeća u Nigeriji, ukupne populacije 232 (32 vlasnika i 200 zaposlenih). Studija je odredila veličinu uzorka preko metoda uzorka Taro Yamane, i koristila je Boulerovu formulu proporcionalne alokacije da distribuira uzorke. Podaci i informacije su sakupljeni iz primarnih i sekundarnih izvora. Ova studija je analizirala sakupljene podatke deskriptivnom metodom i testirala hipoteze Likertovom statističkom metodom. Studija je otkrila da Strateška obuka ljudskih resursa može da olakša rast malih i srednjih preduzeća u Nigeriji. Na taj način, studija je zaključila da program strateške obuke ljudskih resursa može da služi kao temelj za uspeh malih i srednjih preduzeća, i može da pospeši znanje, inicijative, inovativnost i samopouzdanje, konkurentnost i postizanje pozitivne isplativosti. Studija, prema tome, preporučuje vlasnicima malih i srednjih preduzeća da integrišu efikasnu strategiju u razvoj ljudskih resursa tako da se ciljevi razvoja mogu olakšati i dostići.

Ključne reči: obuka ljudskih resursa, strategija, ciljevi rasta, poslovna igra, rat talenata

SOCIAL RESPONSIBILITY AS A FACTOR OF SUCCESSFUL MANAGEMENT OF ENTERPRISES IN SERBIA: A CASE STUDY

UDC 005.35

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Abstract. *A business operation of an enterprise in a socially responsible manner becomes a crucial topic and imperative of contemporary business operations and management of the enterprises, given that the business is conducted in the environment that must be taken into account. Corporate social responsibility imposes as the necessity-inevitability of modern business operation and therefore managers are expected to harmonize social responsibility strategy with all key values, business mission and global strategy of an enterprise. The goal of this paper is, therefore, to present that the enterprises will have a greater positive impact on their working, business and natural environment if social responsibility is more involved in the strategy of the enterprise. The paper presents the result of conducted research in the following enterprises: Lola "FOT" - Lešak, ŠG "Ibar"- Leposavić and RIF "Kopaonik" - Leposavić that we came to applying the Pearson linear correlation coefficient and procedure of a single-factor analysis of variance (ANOVA) with Tukey post hoc test.*

Key words: *social responsibility, management, managers, working environment, business environment, natural environment.*

INTRODUCTION

The concept of social responsibility, as relates to business operations of an enterprise, refers to the duties and obligations of the enterprise to operate with assets that do not harm interest groups and environment and the introduction of changes in operations and utilization of resources.

The primary responsibility of the management of the enterprise is efficient and effective accomplishment of enterprise's goals - production of goods and/or services with profit maximization. However, contemporary conditions dictate that equal importance should be given to more powerful and more present demands from different social groups that emphasize that managers of the enterprises must accept responsibility for the consequences

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of the decisions they make. In this way, the enterprises will show that with their decisions and actions they care for overall wellbeing of the society.

Modern business conditions require from the companies to adapt rapidly to market demands and to respond appropriately to changes that constantly emerge. Adaptations to numerous and various changes that are conditioned by technological, economic, political and social factors are among the priority tasks of the enterprises. Recent changes regarding the environmental demands also affect the changes in the enterprises themselves; primarily, changes in operations and utilization of resources that will be in accordance with demands and signals from the environment. What is expected from modern enterprises is therefore not easy: new way of managing the enterprise in which social responsibility will present a key activity and a component of successful business.

1. SOCIAL RESPONSIBILITY AS A FACTOR OF SUCCESSFUL MANAGEMENT OF ENTERPRISES: THEORETICAL BASIS

Corporate social responsibility began to develop during the 60s and 70s of the last century when there arose the awareness of issues such as equal opportunities for all, racial equality, safety and health in the workplace. All these issues have prompted the public to thoroughly reexamine the business practices. According to William Clay Ford, former president of the Management Board and Managing Director of Ford car factory, there is a difference between a good company and a big company. Good company offers excellent products and services. Big company also offers excellent products and services, but it is trying to improve the world (Kotler, Lee, 2005, p. 3). The development of technology has facilitated the development of useful products for man and society, which satisfies different needs. However, it is important to stop blaming the technology. Technology does not make decisions. People make decisions. It is not technology that separates; people do. Technology is for mankind. The real question is whether the man is for or against the mankind (Riderstrale, Nordstrom, 2003, p. 39).

There is a great number of definitions in literature regarding the corporate social responsibility, which supports the relevance of this subject in different time periods. The most widely accepted and the most cited definition is the one given by European Commission in the most important document on the subject of corporate social responsibility, known as the Green paper. The Commission defines corporate social responsibility as a set of activities aimed at fulfillment of legal obligations defined by law and agreements, and activities by which enterprise fulfills obligations that do not originate from formal-legal framework, such as investment in the development of human capital, the environment and the improvement of relations with stakeholders (GREEN PAPER, 2001).

According to Kotler and N. Lee, corporate social responsibility is a commitment to improving the wellbeing of the community through discretionary business practices and contributions to the account of resources of the corporation (Kotler, Lee, 2005, p. 3).

A key element of this definition is the word discretionary. Namely, this is not about the business activities stipulated by law or inherently moral or ethical, and thus expected. This is about the voluntarily commitment of an enterprise and its decision to implement such business practices and give contributions.

According to Krkac (Krkac, 2007, p. 224) social responsibility is an obligation of anyone who does business with the goal of maximizing profit and thus maximizing the positive

impact of its operations on society, and minimizing the negative impacts. In accordance with this definition is the definition of Thompson, Strickland and Gambl, that corporate social responsibility is the duty of an enterprise to manage its affairs in a manner that avoids harming the other stakeholders and the environment, and to take into account in its decisions and actions the overall wellbeing of the society (Thompson, Strickland, Gamble, 2008, p. 312).

Enterprises where social responsibility is an integral part of their strategies are most likely to overcome the challenges that the future holds (Moller, 1997, p. 56). One thing is certain, the corporate social responsibility is a concept that mostly provides long-term results, and it is particularly important to emphasize the selection of those managers-leaders who can anticipate the changes in the mood of the key stakeholders and act in accordance with them (Wether, Chandler, 2006, p. 38). In brief, the management, especially top management, must take care of the health of the corporation, and this includes balancing the many contradictory demands of stakeholders (Freeman, 2007, p. 355).

Strategic leadership represents an individual ability to anticipate, predict, remain flexible, think ahead and seek with others to accomplish changes that will affect not only the enterprise in which they operate, but also the wider community (Christiansen, 1997, p. 141).

From this, we can conclude that the management of the enterprise does not have an easy task since there is no universal approach to linking the strategy and business conduct with social responsibility, especially if we take into account the fact that there are different options of corporate social responsibility available.

Designing of the strategy of the corporate social responsibility includes (Thompson, Strickland, Gamble, 2008, p. 302):

- Efforts to apply ethical strategies and compliance with ethical principles in the management of operations simply because unethical strategies and unethical behavior are not compatible with the concept of socially responsible business conduct.
- Charity contributions, donations of money and time of the employees of the enterprise that will be engaged in the activities of the community, supporting a variety of valuable organizational activities, actions for improvement of lives of people that are in need.
- Actions to protect and improve environment, especially for minimizing or elimination of all adverse effects on the environment arising from business activities of the enterprise. This implies that companies should use the best technologies available.
- Actions to create working environment that improves the quality of life of personnel and that make the enterprise an excellent place to work. This includes diverse and interesting work tasks, programs for development and rapid career progression, flexible working hours for single parents, the opportunity to work at home, equal salaries for both genders, etc.
- Actions to create workforce that is diverse in terms of gender, race, origin and other aspects that people bring to workplace.

It is logical that the management of the enterprise will harmonize the strategy of social responsibility with its key values, mission and general strategy.

New dimensions of the enterprise management include upgrading of the quality of business operation that has been changing during the time following the major changes in society, economy, technology and science. Namely, modern concept of understanding the quality does not imply only its technological basis, but the concept of the quality is transferred from production to the level of executive leadership, where, considered in the long term, it

obtains the characteristics of upgrading of business quality of the enterprise as a whole (Đorđević, Čočkalović, 2007, p. 20). The quality of business includes three dimensions, figure 1:

- market (customer satisfaction, convenience for use, market position, competitive advantage),
- business (increase of efficiency, cost reduction, increase of productivity, profit increase, long-term sustainability),
- social (health care, protection of the environment, preservation of natural resources, customer protection).

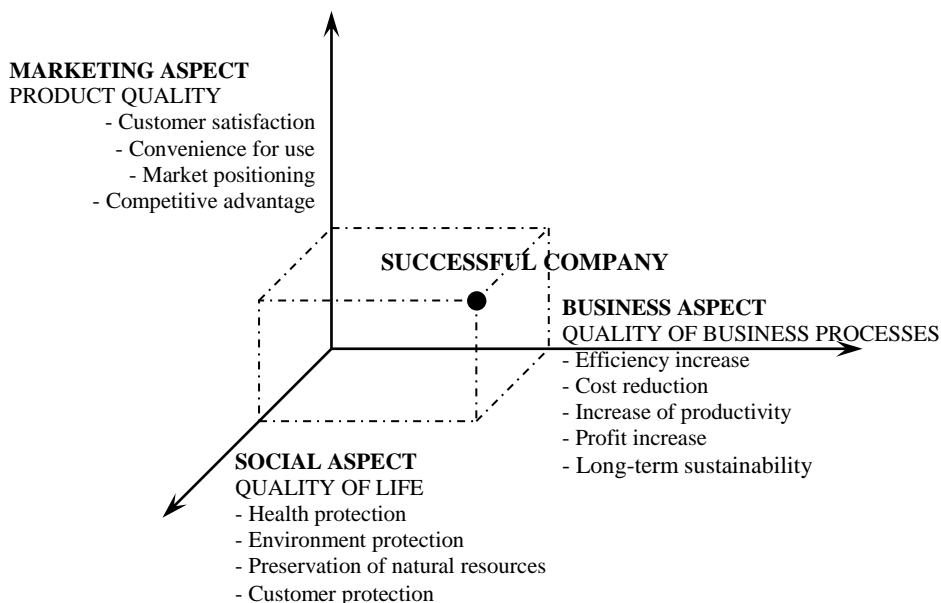


Fig. 1 Aspects of business quality

Source: (Heleta 1995, p. 33)

At the current level of business development, enterprises must accept business based on responsibility that understands taking responsibility for their role in society. In the past, it was sufficient that enterprise satisfy basic economic goals, that is, profit, as the basis for achieving the goals of growth and development. However, if enterprises today want to have prosperity on the market they must also perform noneconomic functions that are related to the satisfaction of general social interests.

2. METHODOLOGICAL FRAMEWORK AND HYPOTHESES

Based on the research objective we set in the introductory section of this paper, we defined the hypothesis that state:

- H1*: The enterprises shall accomplish higher positive impact on their working, business and natural environment if social responsibility has a greater stake in the strategy of the enterprise; we will prove/disprove this with the assistance of the following auxiliary hypothesis:

- h1*: There is correlation between the concern for employees and their motivation, productivity and attracting talented individuals from labor market.
- h2*: There is correlation between the concern for customers/business partners and relations with business partners, loyalty of existing and attracting of new customers.
- h3*: There is correlation between the involvement of the enterprise in the development of the local community and relationship with local community.
- h4*: There is correlation between the concern for the environment and business expenses.
- h5*: If social responsibility is an important segment of the strategy at the level of the enterprise, the enterprises will be more socially responsible.

In order to examine this hypothesis, the research was conducted in the enterprises Lola "FOT" – Lešak, ŠG "Ibar" – Leposavić and RIF "Kopaonik" – Leposavić using the method of questionnaire, on total sample of 109 respondents-managers at all levels of management. As the basis for creation of the Questionnaire, we mostly used: the work of Porter and Kramer (Porter, Kramer, 2002, p. 6), book by Thompson, A.A., Strickland, A.J., Gamble, J.E. Strategic management (Thompson, Strickland, Gamble, 2008, p. 301-306) and questionnaire of Inter Consulting Organization that conducted research on the concept of corporate social responsibility in Serbia in cooperation with the United Nations Industrial Development Organization (UNIDO) (InterConsulting, 2010).

Entering and processing data from the survey was conducted by using Microsoft Office Excel. Data obtained by the conducted research were processed in the statistical package SPSS. When processing the data the following statistical procedures were applied:

- the Pearson linear correlation coefficient, and
- single-factor analysis of variance (ANOVA) with Tukey post hoc test.

3. THE IMPACT OF SOCIAL RESPONSIBILITY ON WORKING, BUSINESS AND NATURAL ENVIRONMENT IN THE ENTERPRISES: LOLA "FOT" – LEŠAK, ŠG "IBAR" – LEPOSAVIĆ I RIF "KOPAONIK" – LEPOSAVIĆ: RESEARCH RESULTS AND DISCUSSION

Lola "FOT" – Lešak-is a branch of a large complex of Lola factories of forgings L.L.C, Beograd-Lešak (Serbian Business Registers Agency-Lola factory forgings, 2014). Predominant activity of this enterprise is the production of forged and pressed products based on steel and non-ferrous metals. Woodland ŠG "Ibar" - Leposavić (Business Registers Agency-Srbijašume, 2014) is a part of Publicly-owned enterprise for forest management "Srbijašume" (which includes the function of two forest management: Leposavić and Zubin Potok), whose current activity is the silviculture and other forestry activities. RIF "Kopaonik" – Leposavić is an organizational unit of Trepča (Business Registers Agency- Trepča, 2014), large deposits of lead-zinc mine in Serbia, which includes western, southwestern and southern parts of Kopaonik and is among the largest in Europe. Since the financial data of enterprises were not included in the study, the number of employees, according to the Accounting Act ("Official Gazette of RS", no. 62/2013 of 16/07/2013. effective from 24.07.2013., Article 6. paragraph 1), was the only criterion for the classification of enterprises: micro (10 employees), small (50 employees), middle (250 employees) and large (over 250 employees). Taking into account this conclusion, in this study were included two middle enterprises Lola "FOT" – Lešak with 189 employees and ŠG "Ibar" – Leposavić with 108 employees and a large enterprise: RIF "Kopaonik" – Leposavić with 634 employees. This sample included 114 respondents-managers who work in mentioned enterprises presented in Table 1, but due to incomplete data, five questionnaires were excluded from further study.

Table 1 Position of respondents-managers in the enterprises

Enterprise	Top management	Middle management	Operative management	Total number of respondents in the enterprises
Lola "FOT" - Lešak	2	6	13	21
ŠG "Ibar" - Leposavić	2	6	7	15
RIF "Kopaonik" - Leposavić	4	14	55	73
Total number of respondents according to the levels of management	8	26	75	109

Source: Authors

There were 23 respondents-managers from the enterprise Lola "FOT" – Lešak: 2 top management, 7 middle management and 14 operative management, except that 2 (1-middle, and 1 operative) have been excluded from the study because of incomplete data in the questionnaire. 15 respondents-managers were from the enterprise ŠG "Ibar" – Leposavić: 2 top management, 6 middle management and 7 operative management, and all were included in the study. From the enterprise RIF "Kopaonik" – Leposavić there were 76 respondents-managers: 4 top management, 15 middle management and 57 operative management, who participated this study, and 3 (1-middle and 2-operative management) were not included in the study due to incomplete data in the questionnaire.

The structure of top, middle and operative management by half at the total sample is shown in Table 2.

Table 2 The structure of top, middle and operative management by half at the total sample

Enterprise	Males		
	Top management	Middle management	Operative Management
Lola "FOT" – Lešak	2	5	11
ŠG "Ibar" – Leposavić	2	4	4
RIF "Kopaonik" – Leposavić	3	10	38
Total number of respondents	7	19	53
Enterprise	Females		
	Top management	Middle management	Top management
Lola "FOT" – Lešak	0	2	3
ŠG "Ibar" – Leposavić	0	2	3
RIF "Kopaonik" – Leposavić	1	5	19
Total number of respondents	1	9	25

As we can see, when it comes to gender equality, in surveyed enterprises and at the levels of management, top management, middle management and operative management, pursuant to Article 14 of the Law on Gender Equality ("Official Gazette of RS", No. 104/2009) according to which: "If the representation of the less represented gender in each organizational unit, in managerial positions and in the management bodies and supervisions is less than 30%, public authorities are obliged to implement affirmative measures in accordance with the Law on Civil Servants and Law on Public Administration", we can notice the following:

- In the enterprise Lola “FOT” – Lešak from totally 23 managers, 18 males and 5 females (at levels: top management-2 males and 0 females; middle management-5 males and 2 females; operative management-11 males and 3 females), implies that the Law on Gender Equality has not been complied with, which prescribes minimum 30% of representation of less represented gender. In particular, out of 23 managers, in accordance to legal minimum (30%) there should be 16 males and 7 females, Table 2.
- In the enterprise ŠG “Ibar” – Leposavić with totally 15 managers, with 10 males and 5 females (at levels: top management-2 males and 0 females; middle management-4 males and 2 females; operative management-4 males and 3 females), implies that the legal minimum of 30% was completely met, Table 2.
- In the enterprise RIF “Kopaonik” – Leposavić with totally 76 managers, with 51 males and 25 females (at levels: top management-3 males and 1 female; middle management-10 males and 5 females; operative management-38 males and 19 females), shows that this enterprise also has met the legal minimum of 30%, both at global management level and at individual levels of management, Table 2.

This indicates that the majority of enterprises are increasingly establishing gender equality as envisaged and guaranteed by the Constitution of the Republic of Serbia, the Law on Gender Equality (in a much higher percentage than the minimum provided by the Law), the generally accepted international rules ratified by international treaties.

In order to accomplish the research goal, the respondents-managers were asked on the scale from 1 to 5 (from 1-irrelevant-unimportant to 5-very important) to evaluate to which extent their enterprises, Lola “FOT” – Lešak Serbian Business Registers Agency-Lola factory forgings, 2014), ŠG “Ibar” – Leposavić (Serbian Business Registers Agency-Lola factory forgings, 2014-Srbijašume, 2014) and RIF “Kopaonik” – Leposavić (Serbian Business Registers Agency-Lola factory forgings, 2014-Trepča, 2014), take care of employees, customers/business partners, local community in which they operate and environment protection. With this research, we examined whether there is a correlation between taking care of employees () and their motivation, productivity and recruiting talented people from labor market. Statements used for the evaluation of this area are: providing training and promoting employees; guaranteed salaries for work performed, encouraging good communication between employees and management and supporting the employees in balancing work and personal obligations. Correlation of these variables is examined using the Pearson linear correlation coefficient. Results are presented in Table 3.

Table 3 Results of correlation between taking care of employees and motivation, productivity and recruiting talented people from labor market

Variable	1	2	3	4
Care for employees	–			
Motivation of employees	,376**	–		
Productivity	,398**	,595**	–	
Recruitment of talented people from labor market	,438**	,471**	,371**	–

**p < .01

Source: Authors

Results in Table 3 show that there is a significant correlation between examined variables. Namely, respondents-managers at all levels of management in all three enterprises are of the opinion that care for employees influences the motivation of the employees, their productivity as well as the recruitment of the talented people from the labor market. The first auxiliary hypothesis is accepted.

For business operations of all three enterprises involved in this research the care for customers/business partners is certainly important. Using the Pearson linear correlation coefficient we examined whether there is a correlation and to which extent the care for customers/business partners influences the relationship with business community, loyalty of existing and attraction of new customers. The statements used for the evaluation of this area are: monitors the quality and safety of products and/or services, regularly monitors the customers satisfaction, guarantees the best value of the product and/or services in terms of quality and price, and is ready to respond to customers complains Results are presented in Table 4.

Table 4 Results of correlation between care for customers/business partners and relationship with business partners, loyalty of existing and attraction of new customers

Variables	1	2	3	4
Care for customers/business partners	–			
Relationship with business partners	,355**	–		
Loyalty of existing customers	,340**	,600**	–	
Loyalty of existing and attraction of new customers	,332**	,529**	,798**	–

**p < .01

Source: Authors

Results in Table 4 show that there is a significant correlation between examined variables. Namely, respondents-managers at all levels of management in all three enterprises are of the opinion that care for customers/business partners contributes to better and more successful relationship with business partners, loyalty of existing and attraction of new customers. The second auxiliary hypothesis is accepted.

The important segment of business operations of all three enterprises: Lola “FOT” – Lešak, ŠG “Ibar” – Leposavić and RIF “Kopaonik” – Leposavić certainly is the connection with local community where they operate. Table 5 presents the correlation between the involvement of listed enterprises in the development of local community () and relationship with local community. The statements used for the evaluation of this area are: the management of the enterprise and employees are involved in charity activities of local community, provides financial support for the development of sports, supports cultural activities and supports the development of health care in local community. Results show that this correlation is statistically significant. This implies that involvement of listed enterprises in the development of local community significantly influences the successful and positive relationship with the local community. The third auxiliary hypothesis is accepted.

Table 5 Results of correlation between the involvement of the enterprises in the development of local community and relationship with the local community

Variables	Relationship with the local community
Local community	,302**

**p < .01

Source: Authors

Table 6 shows the correlation between the environment protection (and operating costs). Statements used for the evaluation of this area are: recycling, utilization of ecologically acceptable, recycled materials in the making of product and its release, that is, during the activity when it comes to providing of services, our enterprise takes care of all aspects of environment protection such as rational use of energy, prevention of the formation of waste materials and proper disposal of waste material and in the transport and logistics sector our enterprise takes care of the emission of hazardous gasses/substances from the vehicles we use and we discuss with our suppliers and partners whether they use optimal transportation routes and means (for example, in order to reduce CO₂ emission)) Results show that this correlation is statistically significant, that is, enterprises achieve economic and environmental effects by taking care of environment protection. The fourth auxiliary hypothesis is accepted.

Table 6 Correlation between environment protection and operating costs of the enterprise

Variables	Operating costs
Environment protection	,396**

**p < .01
Source: Authors

The research results show that respondents-managers at all levels of management in the enterprises, Lola “FOT” – Lešak, ŠG “Ibar” – Leposavić and RIF “Kopaonik” – Leposavić, consider that care for employees, customers/business partners, local community and the environment has positive impact on the entire business of the enterprise.

In order to determine whether there is a difference in attitudes of respondents-managers when it comes to the areas of corporate social responsibility: care for customers, existing and potentially newly employed persons, local community, the environment, included in this research, we conducted the procedure of a single-factor analysis of variance (ANOVA) with Tukey post hoc test. Results are presented in Table 7.

Table 7 Results of top, middle and operative management on total sample regarding the different areas of corporate social responsibility

	Levels of management			F
	Top management	Middle management	Operative management	
Care for customers/business partners	21,00 ^a	21,48 ^a	21,69 ^a	0,15
Care for existing and potentially newly employed persons	26,29 ^a	27,93 ^a	28,16 ^a	0,35
Involvement in the development of the local community	22,57 ^a	25,33 ^a	25,20 ^a	0,57
The environment protection	19,29 ^a	18,63 ^a	20,17 ^a	1,06

Mean values with different exponent (a and b) in lines significantly differ at the level 0.05

Source: Authors

Results in Table 7 show that there were no statistically important differences in attitudes between the top, middle and operative management when it comes to different areas of corporate social responsibility. Thus, the greater the responsibility and care for employees, customers/business partners, local community and the environment, the larger positive influence on working, business and natural environment of the enterprise.

In accordance with these findings of the research is also the result that respondents-managers in all three enterprises, Lola “FOT” – Lešak, ŠG “Ibar” – Leposavić and RIF “Kopaonik” – Leposavić, consider that social responsibility of the enterprise is important as the part of the strategy at the level of the enterprise in which they are employed, Chart 1, by which the fifth auxiliary hypothesis is accepted.

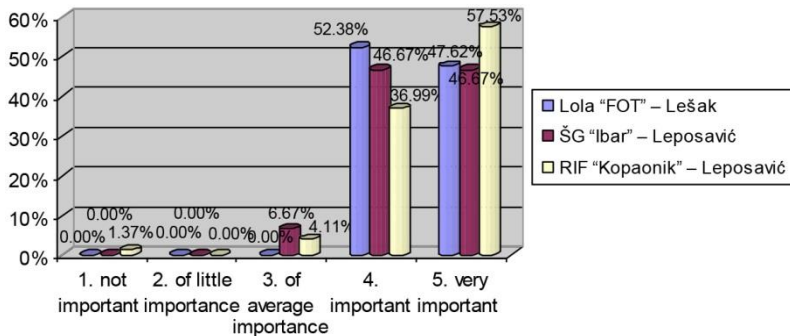


Chart 1 Social responsibility as a part of the strategy of the enterprise expressed in %
Source: Authors

Chart 1 shows that in the enterprise Lola “FOT” – Lešak 47,62% of managers responded that social responsibility of the enterprise is very important as the part of the strategy at the enterprise level, and 52,38% of managers believe that social responsibility of the enterprise is important as a part of the strategy at the enterprise level. In the enterprise ŠG “Ibar” – Leposavić, 46,67% of the managers believe that the social responsibility of the enterprise is very important as the part of the strategy at the enterprise level, 46,67% of the managers believe that the social responsibility of the enterprise is important as a part of the strategy at the enterprise level, and only 6,67% believe that the social responsibility of the enterprise is of average importance as a part of the strategy at the enterprise level. In the enterprise RIF “Kopaonik” – Leposavić, more than half of managers, 57,53%, believe that social responsibility of the enterprise is very important as a part of the strategy at the enterprise level, 36,99% of managers believe that social responsibility of the enterprise is important as a part of the strategy at the enterprise level, and only 4,11% believe that social responsibility of the enterprise is of average importance as a part of the strategy at the enterprise level. Negligible is the number of managers, only 1,37% from the total number, who believe that social responsibility is not important as a part of the strategy at the enterprise level.

Based on these results, we can conclude that the main hypothesis, which was the basis of this paper, is the following: The enterprises will accomplish higher positive impact on their working, business and natural environment if social responsibility has a greater stake in the strategy of the enterprise, which is proven by verifying the auxiliary hypothesis.

The results of the research show that respondents-managers at all levels of management consider that integration of activities of social responsibility into the business operations of the enterprise can lead to achievement of efficiency and effectiveness in accomplishment of sustainable business goals. Attitudes of respondents-managers indicate that the business of the enterprise in socially responsible manner brings direct benefits for financial results.

Namely, providing the training and promotion of employees, guaranteed salaries for performed work, flexible working hours-in terms of balancing work and personal obligations, have positive impact on motivation and productivity of the employees, which contributes to increase of successful business performance. Investing in the development of educational institutions and scholarships for students contributes not only to improvement of educational structure of the population, but also reciprocally contributes to increase of business success owing to the offer of skilled labor. Investing in the development of sports, culture, health care... contributes to the increase of the quality of life in the community and at the same time has positive impact on the creation of enterprise's brand and increasing sale of products and/or services. The recycling of waste, utilization of recycled materials, the rational exploitation of natural resources (air, water, soil, oil, ores, metals...) simultaneously lead to achievement of ecological and economic benefits for the enterprises contributing to stronger financial results and greater profitability.

CONCLUSION

Modern business conditions require from the enterprise to adapt rapidly to market needs and to respond efficiently and effectively to pressures, changes and chances that occasionally occur. Recent changes in terms of environment demands affect the changes in the enterprises, primarily the changes in working methods and utilization of resources that will comply with the requirements and signals that come from the environment.

If they want to continue to exist on the market, the enterprises must take more explicit and more proactive role in the society.

In the business practice of the Serbian economy in recent years positive developments in the field of corporate social responsibility are noticeable. Using the Pearson liner correlation coefficient we obtained the results that show that managers at all levels of management consider that care for interest-influential groups: employees, customers/business partners, local community and the environment has positive impact on working, business and natural environment of the enterprise. In support of this fact is the research conducted in the enterprises: Lola "FOT" – Lešak, ŠG "Ibar" – Leposavić and RIF "Kopaonik" – Leposavić, where social responsibility as a part of the strategy of the enterprise presents a factor of successful management of enterprises and therefore the crucial factor of competitive capacity, growth and development of the enterprise, society in whole and improvement of the quality of life of the entire community. Therefore, only those enterprises that operate in the socially responsible manner will be successful, and above all, highly positioned by all interest-influencing groups and especially the two that are crucial for their continued existence-customers and employees.

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DRUŠTVENA ODGOVORNOST KAO FAKTOR USPEŠNOG UPRAVLJANJA PREDUZEĆIMA U SRBIJI: STUDIJA SLUČAJA

Poslovanje preduzeća na društveno odgovoran način postaje ključna tema i imperativ savremenog poslovanja i upravljanja preduzećima, s obzirom da se poslovanje odvija u okruženju o kome se mora voditi računa. Društveno odgovorno poslovanje se nameće kao neophodnost-neminovnost savremenog poslovanja pa se zbog toga od menadžera očekuje da usklade strategiju društvene odgovornosti sa svojim ključnim vrednostima, poslovnom misijom i opštom strategijom preduzeća. Zbog toga je cilj ovog rada da pokažemo da će preduzeća imati veći pozitivan uticaj na svoje radno, poslovno i prirodno okruženje ukoliko društvena odgovornost ima većeg udela u strategiji preduzeća. U radu je prikazan rezultat sprovedenog istraživanja u preduzećima: Lola "FOT" – Lešak, ŠG "Ibar" – Leposavić i RIF "Kopaonik" – Leposavić do kojeg smo došli primenom koeficijenta Pirsonove linearne korelacije i postupka jednofaktorske analize varijanse (ANOVA) sa Tukey post hoc testom.

Ključne reči: društvena odgovornost, upravljanje, menadžeri, radno okruženje, poslovno okruženje, prirodno okruženje

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