

UNIVERSITY OF PREŠOV IN PREŠOV
FACULTY OF MANAGEMENT

COLLEGE OF HOTEL MANAGEMENT, BELGRADE, SERBIA
COLLEGE OF ECONOMY, TOURISM AND SOCIAL SCIENCES,
KIELCE, POLAND

Róbert ŠTEFKO – Miroslav FRANKOVSKÝ – Peter ADAMIŠIN

MANAGEMENT 2010

**KNOWLEDGE AND MANAGEMENT IN TIMES
OF CRISIS AND ENSUING DEVELOPMENT**

(Part I.)

**Prešov
2010**

Heads of authors' team: **prof. Ing. Dr. Róbert Štefko, PhD.**
doc. PhDr. Miroslav Frankovský, CSc.
doc. Ing. Peter Adamišin, PhD.
Faculty of Management
University of Prešov in Prešov

Reviewers: **prof. Ing. Jiří Kern, CSc.**
prof. h. c. prof. Ing. Ondrej Hronec, DrSc.

Approved by the editorial committee of the Faculty of Management,
University of Prešov in Prešov as scientific publication.

© **prof. Ing. Dr. Róbert Štefko, PhD.**
doc. PhDr. Miroslav Frankovský, CSc.
doc. Ing. Peter Adamišin, PhD.

Publisher: University of Prešov in Prešov

ISBN 978-80-555-0257-1
EAN 9788055502571

Contents

Part I.

Preface	13
----------------------	----

1. Economy, Business, Financing and Regional Development

Bednárová Eudmila

Analysis of the Impacts of the Economic Crisis on Slovak Government Budget	16
---	----

Chapčáková Alexandra – Hečková Jaroslava

Influence of Crisis on Assessment of Companies Using the Revenue Methods	24
---	----

Jusková Mária

Economic Crisis and Its Impact on Selected Indicators in Industrial Enterprises in Prešov Region	32
---	----

Kisel'áková Dana – Kisel'ák Alexander

Importance of Use of Knowledge in Application of Method of Company Benchmarking	37
--	----

Kot Sebastian – Ślusarczyk Beata

Influence of Global Crisis on Investment in Poland	46
--	----

Kotulič Rastislav

Management of Foreign Direct Investments – Economic Coherences of Regional Development in the Slovak Republic before the Acceptance into the EU	55
---	----

Kyrmizoglou Pantelis F.

Structural Reforms and the Course of Commerce: The Case of Greece	66
--	----

Lichtigová Michaela

Factors Affecting the Development of Region	73
---	----

Markowska-Bzducha Ewa

Local Governments Own Investment Potential in the European Union Countries	81
---	----

Mat'ovčíková Daniela

Evaluation of the Euro Trust	93
------------------------------------	----

Mrázik Peter

World Crisis and Its Influence in State's Economy	100
---	-----

Pullmannová Švedová Milena – Uher Ivan

Economic Crisis and Its Influence on Financing of Sport in Slovak Conditions	106
---	-----

Rajnoha Rastislav – Dobrovič Ján

Business Performance Management of Slovak Companies During the Period of Global Economic Crisis and After the Entry of the Slovak Republic into Eurozone	112
--	-----

Širá Elena

Some Approaches to Competitiveness Evaluation of Countries	122
--	-----

Šoltýsová Agáta

Analysis of Utilization of Non-Returnable Financial Means from the EU Funds and Their Influence on the Public Sector	128
---	-----

Spišiaková Martina

Development Tendencies of Current Unemployment in Slovakia in the Optic of Public Opinion of Prešov Region during Economic Crisis	134
---	-----

Suhányiová Alžbeta – Suhányi Ladislav

The Use of the EU Funds to Finance Investment Projects of the Košice Self-Governing Region	142
---	-----

Sumedrea Silvia

The Influence of Financial Crisis on Governmental Policies and Foreign Direct Investments in Romania	152
---	-----

Sušina Kristián – Liberko Igor

Use of Financial Derivatives for Valuation of Company as a Management Support Tool	167
---	-----

Vravec Ján

Analysis of Controlling in a Corporation	171
--	-----

Závorská Zuzana – Dubravská Mariana

Analysis of the Financial Indexes of the Agrarian Enterprises Efficiency in a Legal Form of Cooperative Farm Functioning in the Territory of the Slovak Republic	179
--	-----

2. Management and Selected Applications

Ali Taha Viktória – Čverhová Daniela – Tomčíková Monika

Human Resources in Implementation Process of Knowledge Management and in the Context of Total Rewards Model	190
--	-----

Bednárová Lucia – Korzyńska Katarzyna

Product Designing Based on the ISO Quality Management System Exemplified with the VIP Corporation	198
--	-----

Brož Milan

Information Support of Management Processes	207
---	-----

Cocuľová Jana

Outsourcing of Personnel Activities	218
---	-----

Čopíková Andrea – Horváthová Petra

Employees' Remuneration in Organizations	226
--	-----

Čverhová Daniela

Using Total Rewards – the Road to Attract and Retain Employees	236
--	-----

Dimitrovski Robert – Arsenovski Sime

Knowledge Management in Response to Global Crisis Society	242
---	-----

Dobrovič Ján

Development Trends in Management during the Reform of the Tax Administration of the Slovak Republic	254
--	-----

Harausová Helena

Superior‘ Personality and his/her Leadership Style	261
--	-----

Hvorecký Jozef – Svitek Jozef

Applying a Content Management System in EPOTEX	266
--	-----

Jaško Ondrej – Popovič Nenad – Prokić Sloboda

Importance of Knowledge Management for the Improvement of Crisis Management	276
--	-----

Kazimírová Luba

The Modern Management Methods	285
-------------------------------------	-----

Kight Kurtis Lee – Škultéty Patrik – Štepánková Roberta

The Design Management of Protected Recreational Places	294
--	-----

Krstevska Gabriela

Higher Education, the Important Link in the Process of Creating Human Capital	308
--	-----

Nemec Jozef

Analysis of EHR (Electronic Health Records) Implementation in Health-Care Institutions	313
---	-----

Pacana Andrzej – Bednárová Lucia

Evaluation of Teaching Process Quality at Postgraduate Course	319
---	-----

Rákoš Juraj – Jenčová Sylvia

The Information System and CRM in Small and Medium Enterprises in Region	325
---	-----

Sojka Ladislav

Problems of Downsizing in Crisis Period	333
---	-----

Šutaj-Eštok Andrej

System Approach in Relation to Process, Procedural Control and Process Control	342
---	-----

Tej Juraj

Public Administration – a Specific Area for the Application of Risk Management	346
---	-----

Tomčíková Monika

Benchmarking in the Development of Regional Banking	355
---	-----

Turiyanskaya Maria

Modern Paradigm of the Knowledge Management	361
---	-----

3. Marketing and Innovations

Ali Taha Viktória

Roles of Universities in Knowledge Society and Activity Assessment of the University of Prešov in Terms of Its Performance	368
---	-----

Bačík Radovan – Gburová Jaroslava

Use of Public Relations, Advertising and MPR in Practice	377
--	-----

Cristinel Constantin

The Need of Strategic Marketing in Higher Education	386
---	-----

Domboróczky Zoltán

The Consumer Value – Interpretation by Marketing and Logistics	396
--	-----

Gburová Jaroslava – Karas Eubomír

Use of the Internet in Marketing Communications	401
---	-----

Gburová Jaroslava – Morovská Ivana

Mass Media and Marketing Communications Tools	407
---	-----

Horváthová Miriam

Marketing Communication in the European Union	416
---	-----

Hroncová Ivana

Exploitation of Marketing Communication in Slovak Milk Converting Enterprises in Connection to Final Consumer	426
---	-----

Jurková Jana – Ferencová Martina

The Opportunities of Increasing the Marketing Communication Efficiency on the University Education Market	435
---	-----

Mazurek Marica

Tourism Destination Branding: A Competitive Marketing Strategy	444
--	-----

Mudrík Martin – Fedorko Richard

Business Via Google – New Possibilities and the Future	448
--	-----

Pollák František – Dorčák Peter

Internet as the New Mass Media - Traditional and New Forms of Internet Advertisement	456
--	-----

Štefko Róbert – Litavcová Eva –

Jenčová Sylvia – Ivančová Oľga

Cluster Analysis of Students in Market Segmentation Based on Selected Motivation Factors in Educational Marketing	464
---	-----

Tóthová Monika – Bednár Ján

Marketing Planning in Area of Services	477
--	-----

Part II.

4. Management of Tourism and Hotel Industry

Alcnauer Július

Information Systems and Their New Possibilities in the Area of Tourism Industry (Data Mining Around Us)	486
---	-----

Daubner Katalin – Kapitány József – Meszlényi Rózsa

The Role of the Red Pepper of Kalocsa as Hungaricum in Tourism Environmental Technology, Use in Health Care and a Folk Art Pattern	493
--	-----

Daubner Katalin – Mészlényi Rózsa – Szűcs Olga

Tourism at Historic Buildings and Monuments – a Key Sector of Tourism of the Future	500
--	-----

Dilek S. Emre – Tufan Ekrem

To Be Green or Not: A Survey Based on 3, 4 and 5 Stars Hotels in Canakkale City Center	506
---	-----

Dodecký Jaroslav

Model of Marketing Quadrangle Urban Marketing as a Tool for Evaluation of the Success of the Implementation of City Marketing	524
---	-----

Drotárová Eva

Spa Management in Time of Crisis	533
--	-----

Gryszel Piotr

Cooperation and Competitiveness of a Tourism Area	539
---	-----

Gryszel Piotr – Jaremen Daria E. – Rapacz Andrzej

Tourism Clusters as the New Form of Tourism Destination Cooperation	546
--	-----

Hamarnehová Iveta

Comparison of Development and Localizing Conditions of Tourism in the Slovak Republic and the Czech Republic after Generating of Separate Countries	554
---	-----

Kiráľová Alžbeta

Destination Marketing in Times of Crisis	564
--	-----

Kosar Ljiljana – Čomić Đorđe – Vicić Slavoljub

Key Aspects of Doing Business in Mountain Hotels	591
--	-----

Matušiková Daniela

Regional Knowledge in Rural Tourism and Agrotourism in Prešov Region	599
---	-----

Palatková Monika

Passing Financial Crisis Using a Concept of Destination Marketing Management (The Case of Prague)	606
--	-----

Rédei Csaba

A Survey on Freeride Skiing and Snowboarding	629
--	-----

Stehlíková Beáta – Taušová Marcela – Horovčák Pavel

Consideration of the Use of Information Technology at Tourism Enterprises at Destination Management of Pieniny	639
---	-----

Šambronská Kristína

Relationship between Local Population to Cultural Monuments and to Tourists	646
--	-----

Šenková Anna

Economic Crisis and Tourism Development in Slovakia	652
---	-----

Talarovičová Valéria

Importance of Development the Wellness Tourism	660
--	-----

5. Ethical, Legal, Cultural, Environmental and Psychological Aspects of Management

Adamišín Peter – Huttmanová Emília

Economic Advance of the Regions in the Slovak Republic as a Determinant of Waste Management Efficiency	670
---	-----

Baranová Milina

The Importance of Organisational Culture and Knowledge Management Tools to an Innovative Process of an Organisation	680
--	-----

Bildat Lothar

Transformation of Knowledge into Management Competencies, Their Measurement and Conclusions for Higher Education	687
---	-----

Birknerová Zuzana – Lelková Anna

Assertive Behaviour of Managers in a Corporation	698
--	-----

<i>Birknerová Zuzana – Litavcová Eva – Juhás Ján</i>	
Connection between Social Intelligence, Mobbing and Fear in the Workplace	708
<i>Frankovský Miroslav – Baranová Milina</i>	
Social Intelligence in Managerial Competence	721
<i>Ištvániková Lucia – Janovská Anna</i>	
Value Preferences of Persons with Submissive or Dominant Personality Traits	732
<i>Janovská Anna – Birknerová Zuzana</i>	
Self-Esteem, Social Intelligence, Personality and Their Interrelationship among Students of Management	741
<i>Kozuň – Cieślak Grażyna</i>	
Efficiency of Public Expenditure on Education in European Union Countries	751
<i>Kuchár Jaroslav – Ščerbáková Eudmila</i>	
Manager in Central State Administration	766
<i>Malák Miroslav</i>	
Application of Knowledge Management in Corporate Culture	772
<i>Moskvičová Mária</i>	
Institute of Recovery of Tax Arrears versus Tax Enforcement Proceedings	780
<i>Sirková Michaela</i>	
The Corporate Culture in Technocratic Terms	787
<i>Španirová Jana</i>	
Place and Position of Customer at Work-shops Culture	793
<i>Uher Ivan –Pullmannová Švedová Milena</i>	
Creativity in Today Environment	801

Uzzoli Annamária

Health Inequalities and Life Chances in Hungary 806

6. Econometrics, Quantitative Methods and Informatization in Management

Bucki Robert – Frąckiewicz Zbigniew

Modelling and Management of Undesired Events
in the Logistic System 814

Drokina Nina

Neuronetwork Approach to the Effective Administrative
Decision Making on the Machinery-Producing Industry Enterprises 827

Pavlušová Erika – Pavluš Miron –

Polláková Tatiana – Sarhadov Ibrohim

Quantitative Methods for Determination of Energy Loss
and Moisture Quantity in the Spa Buildings 835

Šofranková Beáta

Current Status Analysis of Using E-learning
in the University Education in Slovakia 845

Szabó Imrich – Török Csaba

Reference Points Based Representation of Polynomials in Space 854

Preface

In times of global crisis the management of organisations is facing specific challenges and it has to respond to a situation in theory as well as by recommendations for solving problems in business practice.

It is knowledge that appears to be a key factor in overcoming existing consequences of global crisis, but especially in the stage of immediate subsequent development.

Modern management is developing effective new models. However, it also draws from the fountain of knowledge, where experience and historical stages of management development together with current knowledge constitute a very important overall knowledge base that helps to overcome existing problems of enterprises.

The success of a company in a strenuous effort to gain a leading position in the market is one of the main tools how to measure the quality of management.

The structure of this publication has been devised to present significant areas of current management.

The first basal part of the publication is devoted to economy, business, financing and regional development. The following second part of it is focused on modern management and several selected applications and it comprises significant areas of human resources management, knowledge management but also risk management, benchmarking and the like. An important part of the next section is traditionally dedicated to the issues of marketing and innovations.

Management of tourism and hotel management has an important role in the development of our territory and it is one of the areas our faculty and its departments focus on to a significant extent, which has translated to the number of articles published in this section.

Ethical, juristic, environmental and psychological aspects of management are gaining a significant importance especially in the period of crisis. Crisis of moral values and all the mentioned socio-scientific attributes, which are analysed in the fifth section of this publication, is also one of the factors of the economic crisis.

The section focusing on econometrics, quantitative methods and informatics in management which could be regarded as highly significant areas of current economy and management concludes the publication.

We believe that these published studies will not only remain at theoretical level and at the level of recommendations based on research results, but they will also help our organisations at a time of immediate subsequent development of entrepreneurial sphere after the global economic crisis and they will also contribute to the increase of competitiveness of our companies in international markets in the coming period.

October 18th 2010

prof. Ing. Dr. Róbert Štefko, PhD.

doc. PhDr. Miroslav Frankovský, CSc.

doc. Ing. Peter Adamišin, PhD.

1. Economy, Business, Financing and Regional Development

Analysis of the Impacts of the Economic Crisis on Slovak Government Budget

Eudmila Bednárová

University of Prešov in Prešov, Faculty of Management

Abstract

The economic crisis is a normal component of every economic cycle. It manifests in deterioration of all macroeconomic parameters, mostly in decline of GDP, growth of unemployment, decrease of cash position and following inflation, or deflation. The contribution analyzes the impacts of the economic crisis on government budget revenues and expenses and public debt of Slovak republic in 2009.

Key words

Economic crisis, financial crisis, government budget expenses, public debt.

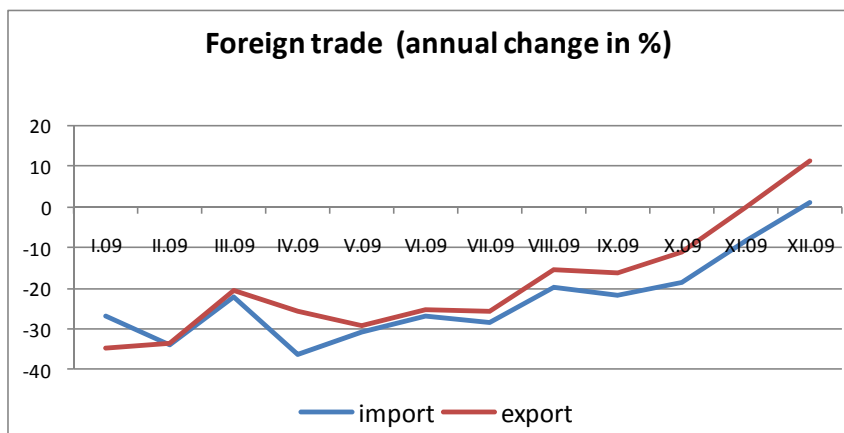
Introduction

In 2009 the economic and financial crisis showed up in Slovak economy by lower economic growth, contracting foreign demand and growing unemployment rate. Its negative impact has influenced also the public finance, basically government budget revenues and expenses side. In 2009 arose the decline of the government budget revenues as well as increase of government expenses, which should have stimulated economic growth. This tendency has also led into enhancing a budget deficit.

The Fiscal Consequences of Economic Crisis

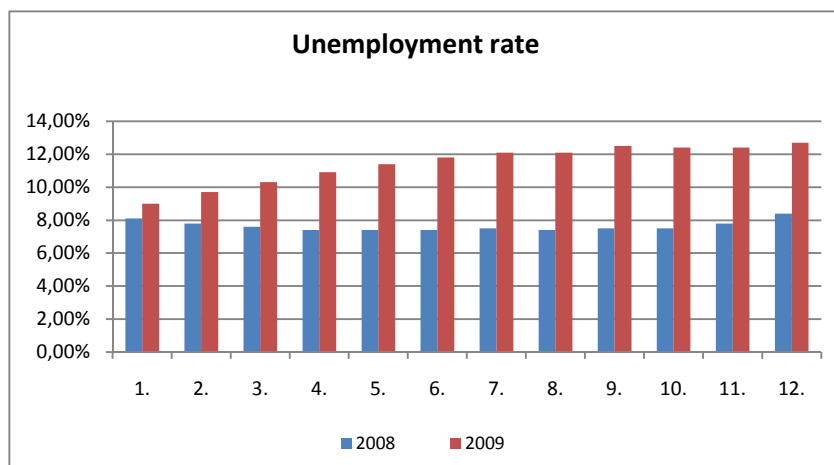
The consequences of global economic crisis markedly manifested in Slovak economy at the end of 2008 and consequently in 2009. The drop of foreign demand caused big decline in Slovak export, domestic investments and started to be present at the Slovak labour market.

Slovak balance of payments was at the end of 2008 passive (-757.8 mil. EUR). Next year the situation changed when balance of payments reached 1 186,8 mil. EUR, what was caused by faster decrease of imports in comparison with exports. The development of foreign trade in 2009 depicts graph 1.



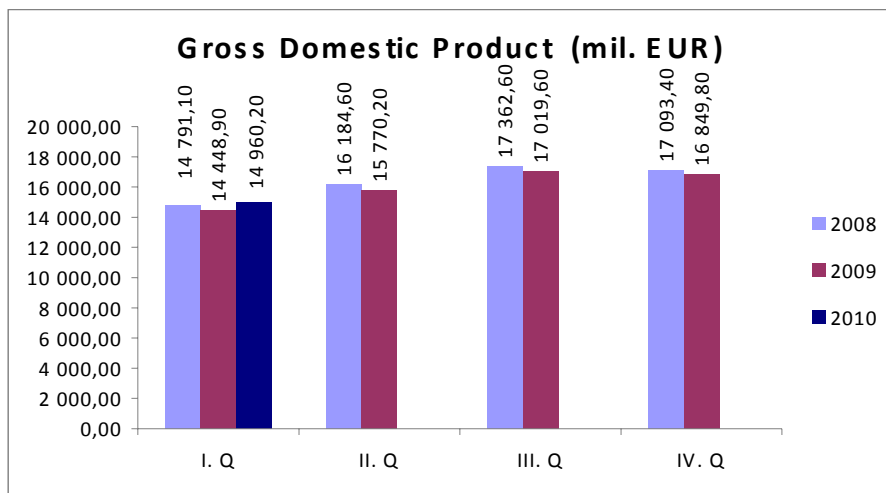
Graph 1: Export, import (annual change in %)
Source: Statistical Office of the Slovak Republic

In the first quarter of 2009 it turned out that financial crisis intervened the unemployment in Slovakia. The global crisis disrupted the positive trend at Slovak labour market, which was settled in previous years. The unemployment rate rose from 8.4 %, measured on 31.12.2008, to 12.7 % at the end of 2009. Recent data from April 2010 indicate moderate decrease of the Slovak unemployment rate (12.5 %).



Graph 2: Unemployment rate (v %)
Source: Statistical Office of the Slovak Republic

The deterioration of economic development expressed itself also in development of GDP. The decline of annual GDP was brought on by descending trend of consumption and investment. From the first to fourth quarter of 2009 real GDP slumped by 2.7 % (4.7 % expected). The economic performance has finally started to recover and grow after inter-annual diminution in 2009. In the first quarter of 2010 was created the GDP in volume EUR 15 072.4 mil. In comparison with the first quarter of 2009, real GDP grew by over 4.8 % (in current prices was higher by 2.8 %).

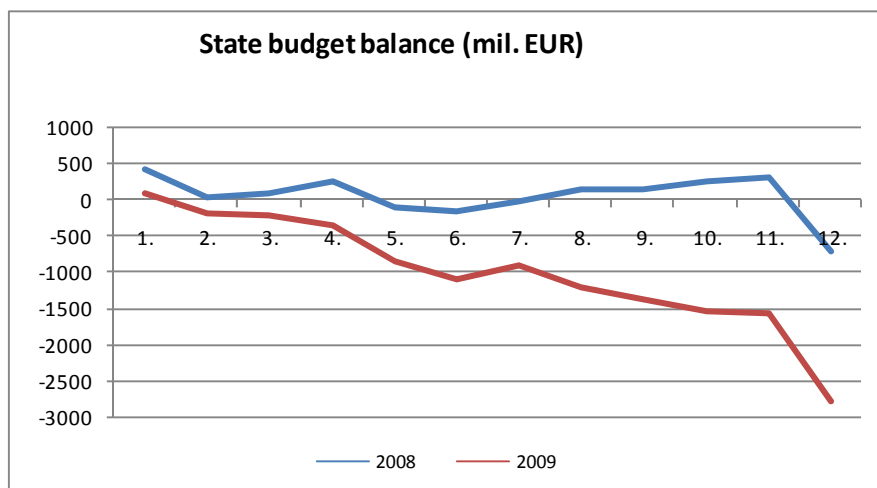


Graph 3: Development of GDP

Source: Statistical Office of the Slovak Republic

The Fiscal Management

Regarding the fiscal policy in 2009 the government took into account the recommendations of the European Commission, let work automatic stabilizers and stimulated Slovak economy by additional fiscal measures. In the year 2009 a retrograde development of economy fully reflected in raising deficit of public administration, that reached 6.7 % GDP, what exceeds reference rate stipulated in the Maastricht Treaty (3 % GDP). In overrun of public finance deficit, participated mostly the balance of state budget with EUR 2 791 mil. The following graph depicts the development of state budget balance in particular months of the years 2008 and 2009.



Graph 4: State budget balance

Source: Statistical Office of the Slovak Republic

The state budget balance between 2008 and 2009 was influenced, inter alia, by the trend of revenues and expenses. The following table provides the overview of revenues and expenses between 2003 and 2009.

Table 1. State budget development in 2003 – 2009

EUR billion	2003	2004	2005	2006	2007	2008	2009
Revenues	7,74	8,05	8,59	9,692	10,696	11,35	10,54
Expenditures	9,59	10,38	9,71	10,743	11,477	12,06	13,33
Balance	-1,86	-2,33	-1,12	-1,051	-0,781	-0,70	-2,79

Source: NBS - central bank of the Slovak Republic

The state budget for 2010 was approved by a act number 497/2009 Coll. The total state budget revenues were set at EUR 12 531 mil., the total expenses at EUR 16 277 mil. A state budget deficit was EUR 3 746 mil. The government has committed to consolidate the public finance from 2010 with the aim to achieve balanced budget in 2015 at the latest. For the first five months of 2010 the state budget balance has come up to EUR 2 078 mil.

The Analysis of the Impact of Economic Crisis on State Budget Revenues

The financial crisis manifested itself mostly in revenue side of the state budget. In 2009 several measures within the taxation were taken to alleviate the impact of economic crisis on Slovak economy. In comparison with budget approved the revenues in 2009 decreased by EUR 2 575 million (19.6%). In 2009 the state budget collected revenues of EUR 10 541 million, representing just 90.37 percentage fulfillment (compared to 98.26% in 2008). In 2009 the state budget received a total of EUR 811 million less than last year. The cash fulfillment of revenues in 2008 and 2009 is captured in the table 2.

Table 2. Treasury income in 2008 and 2009

State budget revenues	2008		2009		In- dex 09/08
	mil.EU R	%	mil.EU R	%	
Total revenues	11 352	98,26	10 541	90,37	92,8
Tax revenues	9 023	100,31	8 025	81,17	88,9
-Individual income taxes	118	113,46	29	23,25	24,2
-Corporate income taxes	2 122	109,38	2 130	86,75	100,3
- VAT	4 632	98,26	3 846	77,55	83,0
- Excise taxes	1 906	94,5	1 835	88,58	96,3
Non-tax revenues	874	117,95	828	92,64	94,7
Grants and transfers	1 455	79,77	1 688	72,25	115,9
- transfers from EU	861	78,05	1 081	57,4	125,5

Source: Ministry of Finance of the Slovak Republic

The economic downswing have most affected the decrease of tax revenues, specifically by EUR 1 860 mil. It has been noticed the decrease in individual income taxes, VAT and excise taxes. The amount of grants and transfers increased in 2009, thanks to an influx of investment subsidies from the European Union.

The Analysis of the Impact of Economic Crisis on State Budget Expenses

The economic crisis did not hit just revenue side of state budget, but also expense side. In times of economic decline the growth of state expenses is influenced in general by three aspects, namely economic, social and political. Under economic pressures the government is striving to stimulate the demand

and to avoid possible market break through increasing social expenditures and investment. With reference to social pressures, the stimulation is represented by support for those, who became the victims of economic collapse and got into financial distress. Within political pressures there is an effort to be reelected and that is why electoral expenditures are being raised. It happened also in Slovakia. In total of EUR 14 125 million is stipulated in the budget of 2009 on state expenses. Compared with 2008 there has been a planned increase of expenditures by EUR 1 504 mil. (8.9%). But it does not mean any substantial change in comparison with planned structure. The following table depicts a cash-flow of state budget between 2008- 2009.

Table 3. Treasury expenses in 2008 and 2009

State budget expenditures	2008		2009		Index 09/08
	mil.EUR	%	mil.EUR	%	
Total expenses	12 056	95,52	13 332	94,39	110,6
Ordinary expenses	10 449	92,47	11 173,4	93,91	106,9
- wages, incomes	1 458	103,4	1 544,2	97,18	105,9
- insurance	467	93,21	497,3	94,90	106,5
- goods and services	1 412	75,43	1 487,8	84,34	105,4
- current transfers	6 227	94,26	6 881,4	98,00	110,5
-public administration	1 741	102,65	1 959,7	105,13	112,6
-individuals and non profit organizations	2 843	94,55	3 177,3	93,78	111,8
Capital expenses	1 607	121,65	2 159	96,95	134,3

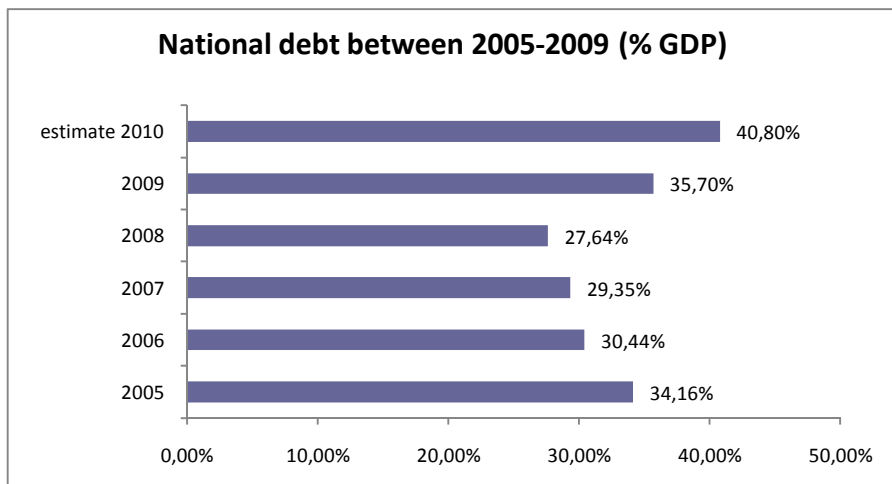
Source: Ministry of Finance of the Slovak Republic

The state budget items like transfers within public administration and capital expenses, recorded an increase in 2009 compared with previous year. The capital transfers for non profit organizations and legal entities out of public administration were included.

The analysis of the Impact of Economic Crisis on Public Debt

The public debt is a significant factor affecting the stability of public finance and economic development of the country. Although the public debt of Slovak Republic is considered low in comparison with the EU countries, its growth during the period of economic crisis is alarming. In 2009 the debt ratio (% of GDP) increased in 35.7 %. The share of public administration debt on GDP has constantly declined since 2000, when it reached the highest level

50.3% of GDP. By 2008 the debt decreased to the level 27.7% of GDP. Since 2009 there have been expectations for its increase to the level 42.2% of GDP at the end of 2012, especially in consequence of the effect of fiscal policy to alleviate the impact of the economic crisis. The most relevant factor of debt growing will be projected government deficit. The graph 4 shows the development of government debt between 2005-2009 and its estimation for 2010.



Graph 5: Development of national debt 2005-2009

Source: Statistical Office of the SR, Ministry of Finance of the SR

Summary

The global deterioration of economic conditions at the end of 2008 has severely influenced the state budget of the Slovak Republic especially in 2009. The impact of the crisis showed itself on revenue as well as expense side of the state budget. Both sides of the state budget saw direct and indirect impact of the crisis.

The direct impacts on state budget revenue side accounted for decline of certain tax collection. With regard to indirect impacts several legislative measures occurred during the year to reduce tax collection as a side effect and to support tax subjects.

The direct impacts on state budget expense side were represented by increase in social benefits. The crisis accounted indirectly for state budget expense side through transfer of particular funds from capital to current

expenditures, what will reduce a dynamics of long term economic growth in the following years.

The global negative result of crisis will remain in form of all time high growth of costs of public debt. The public debt increased to 35.7% of GDP in comparison with 2008, when it represented 27.64% of GDP.

There is no doubt that economic crisis expressly affected the state budget of Slovak Republic in 2009. Considering that Slovakia was hit by second wave of crisis, the consequences are not too drastic. The most significant impact of crisis will be long term decline of economic growth dynamics and from fiscal point of view the return to procedure with excessive deficit.

Bibliography

1. CHAJDIÁK, J. 2005. *Štatistické úlohy a ich riešenie v Exceli*. Bratislava. Statistics, 2005. ISBN 80-85659-39-5.
2. IZÁK, V. 2005. *Fiskální politika*. I. vydanie. VSE v Praze. Oeconomica. 2005. ISBN 80-245-0976-8.
3. KASALOVSKÝ, P. Z poznámok o kríze: Nie o kríze finančnej, nie o kríze hospodárskej, ale o kríze civilizačnej. In: Globálna kríza 21. storočia a jej dopady na SR – možné východiska. Bratislava. 2009. ISBN 978-80-969320.
4. KVETAN, V. et al. 2007. *Prognóza vývoja ekonomiky SR na roky 2007 až 2015 s dôrazom na vývoj HDP a zamestnanosti*. In: Pohľady na ekonomiku Slovenska 2007. Bratislava. Slovenská štatistická a demografická spoločnosť, 2007. ISBN 978-80-88946-46-5.
5. SIVÁK, R. a kol. 2007. *Verejné financie*. Bratislava. IURA EDITION, 2007. ISBN 978-80-8078-094-4.
6. Štatistické údaje o vývoji príjmov a výdavkov ŠR dostupné na internete: <http://www.finance.gov.sk>
7. Štatistické údaje o vývoji HDP SR – dostupné na internete: <http://www.portal.statistics.sk>
8. Zákon 497/2009 o štátnom rozpočte na rok 2010.

This article is published as one of the outputs by the research grant VEGA project No. 1/0876/10.

Contact

Ing. Ľudmila Bednárová, PhD.
University of Prešov in Prešov
Faculty of Management
Slovakia
E-mail: bednarova@unipo.sk

Influence of Crisis on Assessment of Companies Using the Revenue Methods

Alexandra Chapčáková – Jaroslava Hečková

University of Prešov in Prešov, Faculty of Management

Abstract

The economic recession, which has gradually affected most of world economies during 2008 and 2009, of course, has also the influence on the value of companies. Revenue methods belong currently to key assessment methods of companies in the Slovak Republic as well as in the European Union. The paper discusses the selected methodic issues of determination of a company property with use of revenue methods under recession conditions.

Key words

Crisis, Revenue methods, recession

Introduction

The present economic crisis, perceived as the largest crisis from the time of the Great Depression of the 1930s in the past century is an indication as well as the evidence of failure of institutional framework, within which the global economy is moving. Similar, as each new crisis, also this one appears as a specific one to the great extent. There were identified its major macroeconomic and institutional causes - especially an excess of liquidity, low loan interests, arise of an illusion of long-term period of fast economic growth, accumulation of global imbalances, doubtful action of investors at capital markets highlighted by doubtful financial innovations, wrong assessment of risk from the part of financial institutions as well as control authorities, irresponsible action of rating agencies etc. Even though the development in several advanced world economies indicated recently that global recession is on the wane, so called W-shaped double dip of economic development has occurred.

The basic methodic approach to the assessment of companies under conditions of Slovak economy and most of the European economies consists in models of discounted cash flows. Their nature consists in a prognosis of dead uses for shareholders (future revenues to be withdrawn from company) without a disruption of existence of the company in future. These models have their

theoretic support in the neoclassical theory of efficient capital markets, which are based on several presumptions hardly obtainable in common practice.

The aim of the paper is to analyze methodic problems in utilization of revenue methods of assessment of companies under the conditions of global economic crisis and to approach options of projection of revenues and an estimation of discount rate as key parameters of those methods.

Selected methodic problems in utilization of revenue method of evaluation of companies

Existing economic conditions indicate that foundations of theory of efficient capital markets are corrupted. Even though there is a question whether the evaluation of the companies with utilization of those exact approaches in present time is ever possible. The cardinal problem is long-time projection of revenues and the estimation of discount rate. Underestimation, or overestimation of revenues (cash flows) and risk will find expression in the quality and reliability of resulting evaluation of company, what may influence, depending on purpose of evaluation, a series of following processes.

Projection of revenues

The accuracy of revenue projection (cash flows, sources to be withdrawn) of the company in addition to other aspects depends on the nature of environment in which the company operates and on projected period (usually identical with the period for which the strategic financial plan of company is elaborated). Prof. Mařík suggests to plan future revenues in following two steps under current economic conditions:

- a) a projection of relevant market - depends on major factors, which influence this market considering the macroeconomic development and alternative scenarios of further crisis development. It is needed to appraise a depth of possible amplitude which could be different in particular industries and to project it into the amplitudes of output quantities of the company.
- b) the analysis of competitive position of evaluated company along with analysis and projection of its market share (Mařík, 2009, p. 9).

According to prof. Damodaran, to build the effects of distress into a discounted cash flow valuation, we have to incorporate the probability that firm will not survive into the expected cash flows. In its most complete form,

this requires that we consider all possible scenarios, ranging from the most optimistic to the most pessimistic. It also requires that we assign probabilities to each scenario and cash flows under each scenario, and estimate the expected cash flows each year:

$$\text{Expected Cash Flow} = \sum_{j=1}^{j=n} \pi_{jt} (\text{Cash Flow}_{jt}) \quad (1)$$

π_{jt} is the probability of scenario j in period t . Cash flow $_{jt}$ is the cash flow under that scenario and in that period. These inputs have to be estimated each year, because the probabilities and cash flows are likely to change from year to year (Damodaran, 2010, p. 386).

Discount rate

In application of revenue methods of evaluation of the company, discount rate is the place, where the amount of expected risk should be shown in. At present, in our evaluation practice, there is mostly the discount rate, or the amount of requested investment return rate into owned capital of the company estimated on the basis of Capital Asset Pricing Model (CAPM), the application of which depends, to the great extent, on quality and function performance of capital market.

CAPM proceeds from the distinction of diversifiable (non-systematic) and non-diversifiable (systematic) risk. Authors of the model, Sharpe, W. (1964), Linter, J. (1965) and Treynor, J. (his section was not published) came jointly to determination of risk premium in the form of a difference between expected revenue of a security and risk-free premium, while risk premium is proportional to nondiversifiable so called systematic risk of the security, which is measurable by beta coefficient.

Resulting discount rate is thus influenced by three key parameters, namely by risk-free rate of return, risk premium and beta coefficient.

The first parameter is the determination of **risk-free rate of return**. Even despite the existence of several theories (the classic theory of determination of interest rate, Theory of liquidity preference, Theory of rational expectations) which provide a view on financial system and determination of risk-free rate, any of them does not provide a specific guidance how to proceed at the calculation. In generally, there are no pure risk-free assets. For the purpose of evaluation of companies, it is recommended to use the assets with the life-cycle period approaching to life-cycle of company assets. Experts incline to the application of return rate of up to thirty-year government bonds.

Nominal return rate of five-year American government bond now reach the level of 1.25%, ten-year ones - 2.625%, thirty-year ones - 3.875%. In the states of the European Union, the nominal return rate of five-year government bonds is of 1.61%, ten-year ones of 2.61% and thirty-year ones of 3.31%.

The problem of the deficit of public finance along with increase of debt of most countries just begins. Probably it will result in higher requirements of capital markets, what also may be reflected in revenues up to maturity. At the same time, it is necessary to take the fact into account that the inflation in most countries, including the Slovak Republic, decreased to the minimum in recent months, what indicates the increase of free-risk rate of return.

The issue of government bonds with longest maturity (20 years) was made in 2006 in the Slovak Republic (issue No. 206, ISIN SK 4120004987) with interest rate of 4.50%.

The global crisis influences the issue of government bonds in the Slovak Republic from the second halfyear of 2007. By the reason of growing distrust of investors, the bonds of Central and East Europe were almost ceased to be marketed in September 2007 at secondary Slovak capital market. Despite of multiplied increase of trade margin (purchase - sale), Pan-European stock market made just a few transactions. Quotation of states of Central and East Europe was considerably suppressed up to temporarily suspended at all markets.

In 2010, two issues of government bonds were issued in the Slovak Republic, namely No. 213 (ISIN SK4120007071) with maturity of six years and interest rate of 3.50% and No. 214 (ISIN SK4120007204) with maturity of ten years and interest rate of 4.00%.

Equity Risk Premium should represent a risk loading for systematic risk. It is long time premium, which shareholders obtain as a reward for making their investments at capital market. It should be calculated as a difference between expected rate of capital market and expected risk-free rate of return.

Here, the specific chosen methodology of calculation, duration of monitored period and thus volatility in time is of considerable significance. There are several recommendations in various information sources. The conversion from previous periods, so called historical risk premium is used most commonly in the practice. It is also possible to apply premiums and rating degrees set by rating agencies (e.g. Standard&Poor's, Moody's and so on).

Even, if we agree that historical risk premium are the best estimates of future equity risk premiums, we can still disagree about how far back in time we should go to estimate this premium. While there are many analysts who use all the data going back to the inception date, there are almost as many

analysts using data over shorter time periods, such as fifty, twenty or even ten years to come up with historical risk premiums. The rationale presented by those who use shorter periods is that the risk aversion of the average investor is likely to change over time, and using a shorter and more recent time period provides a more updated estimate.

Beta coefficient, as an indicator of nondiversifiable (systematic) risk is hardly assessable because of low degree of development of the Slovak capital market. By the given reason, information from American and European capital market on rate of return of securities in particular industries are often used in the assessment practice. Comparing them, there is not negligible volatility recently (for details see e.g. share index S&P 500, Dow Jones, NKY, INDU, CEEEUR, DAX and so on.).

As a result of this, they do not constitute suitable basis for calculation of discount rate.

As one of many solutions, the suggestion of prof. Damodaran is offered again, according to which regression betas often lag distress, because they are estimated over long time periods. Also, the cost of debt can be skewed upward (if we use the market interest rate on bonds issued by the company) or downward (if we stick with book interest rates). To estimate the cost of equity, we have two options that provide more reasonable estimates than regression betas. Instead of using regression betas, we could use the bottom-up unlevered beta and the firm's current market debt-to-equity ratio. Since distressed firms often have high debt-to-equity ratios, brought about largely as a consequence of dropping stock prices, this leads to levered betas that are significantly higher than regression betas. If we couple this with the reality that most distressed firms are in no position to get any tax advantages from debt, the levered beta becomes even higher:

$$\text{Levered Beta} = \text{Bottom-Up Unlevered Beta} (1 + (1 - \text{Tax Rate}) (\text{Debt-to-Equity Ratio})) \quad (2)$$

Note, though, that it is reasonable to reestimate debt-to-equity ratios and tax rates for future years based on our expectations for the firm and to adjust the beta to reflect these changes. The other choice is to estimate the cost of equity, using a beta more reflective of a healthy firm in the business, and then add an additional premium to reflect distress:

$$\text{Cost of Equity} = \text{Risk-Free Rate} + \text{Beta}_{\text{Healthy}} (\text{Equity Risk Premium}) + \text{Distress Premium} \quad (3)$$

We compute the distress premium in one of two ways. We can look at historical data on returns earned by investing in the equity or compare the company's own pre-tax cost of debt to the industry average cost of debt.

To estimate the cost of debt, prof. Damodaran recommends using a default spread based on the firm's bond rating:

$$\text{Pre-Tax Cost of Debt} = \text{Risk-Free Rate} + \text{Default Spread Based on Bond Rating} \quad (4)$$

If the firm is not rated, we would estimate a synthetic rating for it. This will still yield a high cost of debt, but it is more reasonable than yield to maturity when default is viewed as imminent.

To compute the cost of capital, we need to estimate the weights on debt on equity. In the initial year, we should use the current market debt-to-capital ratio (which may be very high for a distressed firm). As we make forecasts for future years and build in our expectations of improvements in profitability, we should adjust the debt ratio toward more reasonable levels. The conventional practice of using target debt ratios for the entire valuation period (which reflect industry averages or the optimal mix) can lead to misleading estimates of value for firms that are significantly overlevered (Damodaran, 2010, p. 387-388).

Summary

The basic methodic approach to the assessment of companies under the conditions of the Slovak and most of European economies consists in models of discounted cash flows with theoretic support in the neoclassical theory of efficient capital markets. Present economic conditions of global economic recession indicate that the foundations of theory of efficient capital markets are corrupted. The cardinal problem is long-term projection of revenues and estimation of discount rate, where the key parameters are equity risk premium and beta coefficient. Thus, the doubts of many economic theorists. led rightfully to building of alternative behavioral financial theory based more on analysis of decision-making processes of individuals, what could influence significantly the area of assessment of companies in future.

Bibliography

1. ALCNAUER, J. 2009. Informatics for managers - new approaches. In: *Congres proceedings HOTELPLAN 2009*. Belehrad: HOTELlink, 2009. Vol. 10, No. 13-14, pp.22-25. ISSN 1451-5113

2. DAMODARAN, A. 2009. Equity Risk Premiums (ERP): Determinants, Estimation and Implications - A post-crisis Update, <http://pages.stern.nyu.edu/~adamodar/pdfiles/papers/ERP2009.pdf>
3. DAMODARAN, A. 2010. The Dark Side of Valuation, Second Edition. Valuing Young, Distressed, and Complex Businesses. 2nd Edition. New Jersey: Pearson Educationm Inc., 2010. ISBN 978-0-13-712689-7
4. KISLINGEROVÁ, E. 2010. *Podnik v časech krize. Jak se dostat do potíží a jak se dostat z potíží: zkučenosti ze světové recese let 2007 až 2009*. Praha: Grada Publishing, 2010. ISBN 978-80-247-3136-0
5. KLVAČOVÁ, E. 2009. Zajištění státu finančními zájmovými skupinami jako hlavní příčina ekonomické krize. In: *Světová ekonomická krize: příčiny, projevy, perspektivy*, pp. 9-29. Praha: Professional Publishing, 2009. ISBN 978-80-7431-012-6
6. LINTNER, J. 1965. The Valuation of Risk Assets and the Selection of Risky Investments in Stock Portfolios and Capital Budgets. In: *Review of Economics and Statistics*, No. 47/1965, s. 13-37. ISSN 0034-6535
7. MARÍK, M. 2009. Vliv krize na výnosové oceňování podniku v České republice. In: *Odhadce a oceňování majetku*, Vol. 15, 2009, No. 3-4, pp. 4-23. ISSN 1213-8223
8. NAVRÁTIL, D., KRAJČOVÁ, J., LOBOTKA, M., MOKRÁŠ, L. 2010. Měsíční strategie – dluhopisy a měny, http://www.erstebank.cz/banka/content/inet/internet/cs/Mesicni_dluhopisy_meny_2010_09_01.pdf
9. SHARPE, W. F. 1964. Capital Asset Prices: A Theory of Market Equilibrium under Conditions of Risk. In: *Journal of Finance*, No. 19/1964, pp. 425-442. ISSN 0022-1082
10. TOMÁŠEK, M. 2010. Vývoj na kapitálových trzích 12-16.7.2010 – ČP INVEST, <http://www.cp-invest.cz/obsah.php?menu=23&stranka=1061>
11. <http://www.ardal.sk/sk/titulna-stranka>
12. <http://www.bloomberg.com/markets/>
13. <http://www.damodaran.com>

This article is published as one of the outputs by the research grant VEGA project No. 1/0876/10.

Contacts

Ing. Alexandra Chapčáková, PhD.
 University of Prešov in Prešov
 Faculty of Management
 Konštantínová 6, 080 01 Prešov, Slovakia
chapcakova@yahoo.com

doc. Ing. Jaroslava Hečková, PhD.
University of Prešov in Prešov
Faculty of Management
Konštantínová 6, 080 01 Prešov, Slovakia
jheckova@yahoo.com

Economic Crisis and Its Impact on Selected Indicators in Industrial Enterprises in Prešov Region

Mária Jusková

University of Prešov in Prešov, Faculty of Management

Abstract

The contribution brings a cross-section of selected indicators of industrial production in the Prešov region over the crisis years 2007 - 2009. Relatively long time the enterprises underestimated the crisis as indicates the real development of industrial production, experiences from the field, interviews with managers, whereas the real depth and seriousness of the situation they began to resolve in the first months of 2009. Consequently, it is necessary to reevaluate the existing models of risk assessment, changes of managers' behaviour and their approach to reality.

Key words

Crisis, assessment, industrial enterprises, Prešov region

Introduction

Businesses and other economic entities tend to underestimate the immediate crisis situation and therefore their measures responded to the crisis too late. In the initial phase it is the robust self-assurance approach, the managements tend to tranquillize themselves, employees and owners while unaware that the first orders are deleted, the insolvency is coming, the sales decline, there is downward pressure on prices and external resources become more expensive. Only when the situation is becoming serious and enterprise is in danger in the level of revenues and profitability the first cost cutting measures and the first staff redundancies are taken. And when a company is threatened in its existence, come the measures in the form of large-scale layoffs of employees, the orders fall, the cash flow is poorly developed, this leads to conflicts and distrust between members of society. Through all these attributes, the years 2007-2009 have definitively changed the confidence in the assessment instruments of the quality of liabilities, enterprises valuations, assessment of the work of auditors and rating agencies.

Register of organizations of the Prešov region

In the statistical register of organizations of the Prešov region on 31.12.2009 was registered 79,807 subjects, of which 19,741 were corporate (legal) entities and 60,066 personal entities - entrepreneurs. Compared with 2008, the number of corporate entities decreased by 329 subjects and the number of entrepreneurs decreased by 1102. By the sector of economic activity the most enterprises (33%) carry business in business sector, 12.7% in industry - which is 1,530 firms, 10.6% in construction, 8.4% in agriculture and 35.3% in other activities.

Industry in the Prešov region

Development of industrial production in the fourth quarter of 2008 and the first months of 2009, not only in the Prešov region, but in all regions of Slovakia reached an alarming slump, as reflected in the results in 2009 (Table 1). Of course, it had an impact on the decrease in production abroad. Prešov region has long been one of the most disadvantaged regions in assessment of economic indicators compared with other regions of the Slovak Republic and therefore the impact of the crisis on the Prešov region is so painful. No research can consistently answer the questions which errors managers committed in the end of 2008 and early 2009. But it is clear that, they slowly and reluctantly dump the production and gently adapt to real situations with concrete arrangements. Statistics and various surveys showed declines in industry and all essential factors of 20-50%. It was only on the managers decisions to assess (evaluate) the crisis situation objectively and take anti-crisis measures as early as during 2008, when there was a decrease in the volume of contracts which imply that it will be a long-term problem in the industry.

Table 1 Selected indicators of industry in the Prešov region

Indicator	2007	2008	2009
Labour productivity in EUR	56 119,2	63 287,2	60 435,7
Revenues for own performances and goods in thousands EUR	2 248 909,4	2 492 613,0	2 043 593,4
Revenues from foreign sales goods in thousands EUR	1 216 064,1	1 268 826,8	1 055 959,5
Average number of employees	40 074	39 386	33 814
Number of industrial enterprises	1 448	1 590	1 530

Source: own processing according to Bulletin

Industrial enterprises established in the Prešov region with a staff of 20 and over reached in 2009, turnover and revenues from sales the value EUR 2 043.6 million, compared to 2008 fell by 15% in constant prices. The nationwide volume amounted 3.9%.

The largest share of turnover and revenues from goods achieved the firms focused on food-producing – EUR 399.5 million, plants for the production of rubber products – EUR 261.2 million and for the production of motor vehicles – EUR 172.8 million. Strong revenue growth from 2008 was recorded in the production of motor vehicles by 76.8%. The decline occurred mainly in mining and quarrying by 59% and in manufacture of electrical equipment by 57.3%. From the spatial perspective crucial share of revenues had the districts of Poprad 33.4%, Prešov 21% and 17% Humenné. In all the districts of the Prešov region was recorded annual decline in sales.

Labour productivity from turnover and revenues from goods in the year 2009 reach the value of EUR 60 435.7 with the greatest increase in productivity in companies focused on repair and installation of machinery and equipment.

Revenues from foreign sales, which represent 51.7% of turnover and revenues from goods reached during the monitoring period EUR 1.056 million and in inter-annual comparison decreased by 13.4%.

The decrease in revenues in 2009 compared to 2008 of EUR 449 million demonstrates that for such a low efficient region, it has fatal consequences for the regional industry and the entire region. The dismissal of employees could not undertake a long wait and decrease of the industry employees of 5572 alone and their recording to the unemployment register led to an increase in overall number to 23,431, compared with 2008.

A realistic view of the crisis came too late

In mid-2009 already 30% of companies operating in industry in the Prešov region predicted existential problems, most of them did not have their problems as simply manageable, but these enterprises are very realistic to assume that fatal crisis may affect their survival Table 2

Table 2 The perceptions of the crisis from the perspective of industrial enterprises in the Prešov region in %

Question	December 2008	March 2009	June 2009
The situation is very unfavourable, threatening business	13,6	18,2	32,6
The situation is manageable with the stringent measures	34,5	45,3	56,8
The situation is manageable with slight measures	51,9	36,5	10,6

Table 3 Implications of the crisis on the selected indicators in industrial enterprises in %

Question	December 2008	March 2009	June 2009
Is there a decline in company sales?	9,3	17,5	48,5
Is in the company a decline in production?	10,3	24,3	58,3
Reducing the number of contractual orders?	15,5	29,9	55,2
Will be in the company staff redundancies?	11,5	31,5	57,8

A survey of the Department of Finance and Accounting, Table 2, 3 clearly shows that managers in 2008, could not objectively assess the impact of the crisis on their particular business, for a long time underestimated the crisis and were unwilling to accept its seriousness. Optimal variant was of course take action much sooner, not only when there was a rapid decline in sales, reduction of production and maintain stocks in warehouses. The crisis in 2008 and 2009 was able to destroy low-value added at once and the labour-intensive businesses and enterprises which have worked with significantly higher foreign sources and have low equity capital. Economic indicators in 2008 for the industry in the Prešov region show that compared to 2007 are on an upward trend. The impact of the global financial crisis as if evaded our region, as suggested by the depositions of

managers and entrepreneurs – personal entities from the end of 2008. Nor first quarter 2009 was not a warning for entrepreneurs whereas the restrictions and a fall in sales and production occurs at this time every year due to lower demand and spending holidays, decommissioning and maintenance of lines in the other sectors of the economy.

During the half-year there are fundamental changes in the assessment of crisis from the perspective of managers and entrepreneurs. If at the end of 2008 around 10% of industrial enterprises in the region recognizes the problems with production and sales, in a few months the problems indicates 50% of companies. This is also the impact on employees, more than half of companies must take steps to reduce the number of employees and some firms to collective redundancies and business closures. During this period already comes the state intervention in the form of anti-crisis package, because the crisis called for an immediate solution for business, employees and the unemployed.

Summary

In terms of industrial firms operating in a modern and rich consumer society and the years 2007-2009 showed a brand new perspectives and insights into many issues. Whether the issue of borrowed and own resources (capital and reserves), work with cash flow, the issue of risk assessment and fight with the risks, the predictability of the market, valuation of the assets of enterprises and many traditional answers will be weaken and replaced. Another cognition is that firms generally respond to the crisis late or later - over a suitable time in which the reaction would have optimal impact on the future of the company.

Bibliography

1. Bulletin 4/2009 ŠÚ SR
2. Bulletin 4/2008 ŠÚ SR
3. Bulletin 4/2007 ŠÚ SR

This article is published as one of the outputs by the research grant VEGA project No. 1/0876/10.

Contact

Ing. Mária Jusková, PhD.

University of Prešov in Prešov, Faculty of Management

Ul. 17. novembra 1, 080 01 Prešov, Slovakia

E-mail: juskova@unipo.sk

Importance of Use of Knowledge in Application of Method of Company Benchmarking

Dana Kiseľáková – Alexander Kiseľák

University of Prešov in Prešov, Faculty of Management

Abstract

The objective of this paper is to analyze importance of knowledge, modern approaches and methods in knowledge-based company, in context of global crisis. One of theses approaches is the method of company Process Benchmarking as effective management tool of improvement of performance, innovation and competitiveness worldwide. The paper focuses on general Process model of benchmarking, algorithmic rules company benchmarking and importance of knowledge in these processes. The special attention is devoted to empirical analysis of present situation in Czech Republic and Czech Benchmark Index, where benchmarking can be used better in company practice. Finally, results, effects of method of benchmarking are discussed by management of performance in company practice in global changes.

Key words

Method of company benchmarking, Process benchmarking, knowledge, Czech Benchmark Index, effects

Introduction

The recent global economic crisis that has affected the European economy in the last years, and Slovakia too, has pointed more than ever before to the importance of structural and organizational changes, innovation and new approaches in business. The international experiences of numerous successful companies indicate that complex and systematic approach to knowledge and innovation represents one of the main determinants of efficient company management (Chapčáková, Hečková, 2009). The supporters of knowledge management argue that the force behind current development is not just based on information, but also the way new information produces applicable knowledge. Companies can build a competitive advantage on corporate knowledge as well as the most suitable guidelines and approaches used within the firm, but also on the knowledge representing the newest frontier in the company field. Knowledge is becoming the very basis of the growing companies. One of modern methods to growing up and developing in

knowledge-based company is benchmarking. At company level, benchmarking is a tool for supporting management strategies oriented to continuous improvement through identification and adaptation of best practices at process, organization and management level, with used of knowledge and thus to increased efficiency and competitiveness, especially in times of global changes.

The objective of this paper is to point at importance of knowledge and method of company benchmarking in knowledge-based company and identify main effects influencing of company management. The method used in this paper is method of analysis of company model benchmarking and synthesis of its effects on knowledge-based company.

Company model in knowledge based society

R. C. Camp, one of the leading personas in the field of benchmarking, defined the benchmarking as the best step in business, which leads to excellent results. In the last decades, the society has been shifting from the industrial towards the knowledge based and the company management did not remain unaffected. The most influential were changes in the business environment as a result of globalization, ongoing market integration and the sharp increase in international competition in most industries (Závorská, 2009). In this new environment, it was necessary to create a management model that satisfies the requirements of the knowledge based society. At the same time, new principles governing knowledge based business were needed. Information systems, based on the efficient use of knowledge, information and communication technologies, became an integral part of successful modern management. In recent years, the importance of new technology grew as a result of increased management complexity and the need to provide quick and relevant information of high quality to the management on any level. As a result of the changes in the business environment, new approaches towards the company management are sought with an emphasis on the following elements:

- Emphasis is placed on the so-called human factor, specifically leadership ability and team work
- Company information systems, knowledge and technology acquired a leading role
- The need to apply a knowledge-based management to the company became the staple of the new approach.

When trying to define the term “knowledge-based company”, one invariable encounters different opinions. One of the more general definitions states: A knowledge company is a company based on knowledge, operating

within the confines of knowledge-based society, and one that utilizes all positive development trends tested by time and already implemented by several companies of the world class (Truneček, 2003). When trying to answer the question how does, or how a knowledge-based company should function in the global environment of a knowledge-based society, it is necessary to delineate the principles of management that would govern such a company. With the development of company management, three global concepts of management were created: functional, process-based, and, most recently, knowledge-based concept. The knowledge-based concept remains rooted in the previous concepts and as result it is compatible with both. Knowledge-based concept developed from the process-based concept, which, apart from the utilization of process-based philosophy of management, was expanded to incorporate management of knowledge, and given the conditions of the current environment it becomes a distinctly customer-oriented concept (through the so-called customer imperative). Based on the research of a number of scholars, Morton concept (1991) of management was created based on which the success of the company within a knowledge-based society depends on the dynamic nature of the relationships between individual company components. This concept emphasizes the indispensable role of information system and technology as well as the role of the company culture. This approach fulfills the requirements for the company management within the knowledge-based society. Based on the research results, these are the **six most important components** of the company:

- People – Strategy – Organization structure – Information systems, knowledge and technology – Company processes – Company culture.

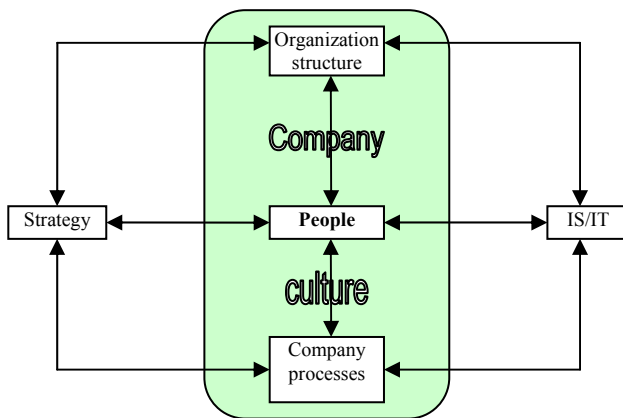


Fig. 1 Model of knowledge-based company

Based on the Morton model, figure 1 illustrates a potential model for the management of knowledge-based company. This model contains people-human resources in its center, as these are the carriers of knowledge. The requirement of wealth creation through permanent increase in productivity of knowledge and the care needed to maintain and knowledge worker place the people in the center on each level. While in the past people was only talked about, in the current knowledge-based company people are truly the most important element, which should reflect on the higher efficiency of company management. All remaining components are connected to the people component (Širá, 2007; Sojka, 2007). Knowledge-based model of management requires the component of strategy, which remains of great importance in management in general. All other company activities relate to strategy, which ultimately defines the company's actions. The model of knowledge management must utilize not only financial characteristics, but also the relations to knowledge-based approach and to customers, which ultimately influence the strategy. Organizational structure on one hand and company processes on the other remain essentially connected to strategy. The resulting construct representing the company management cannot be complete without the integration of information systems and technology. A definite requirement for the balance between soft and hard factors of prosperity is the company culture, which has a defining purpose in at least two ways: Towards the outside, the culture defines the behavior towards a customer, and towards the inside, it cultivates the company environment and satisfies the needs of the employees. The connection towards changing company environment and the requirement of flexibility and adaptability require yet another connection towards the relevant global surroundings. This connection must always express the need for quick and flexible changes, and the influence on all other components of knowledge-based model of company management. After the evaluation of development trends and all positive and negative signals and requirements of knowledge-based company, the following **six principles** governing the functioning of the knowledge-based company were stated:

- Strategy and productivity
- Customer imperative
- Process-oriented
- Knowledge management and knowledge
- Team focus
- Firm identity

The realization of individual principles governing the functioning of the knowledge-based company requires, based on the character of the principle,

bigger or smaller role of efficient information systems and technology. For example, the principle of customer imperative encourages the company to use information systems and other systems to improve the relationship with customers through a Customer Relationship Management (CRM). One of new approaches to reach strategic company goals represents benchmarking.

Benchmarking in Czech Republic

The EU Benchmark Index model (BI) enables any company to compare itself with another company of similar size, production, region of EU using a vast and anonymous on-line database (more than 19000 companies), which contains information about 80 evaluation criteria and parameters (obtain via questionnaire). BI is an easy, computerized method the management of company answers 80 questions, which allows for a comparison with other companies of own choice. The basic areas of the questionnaire are given in table 1 (below), and are also used for the **Czech Benchmark Index (CBI)**.

Table 1 On-line Questionnaire for Corporate Benchmark Index - Review on whole company

<i>Quantitative data (selected)</i>	<i>Qualitative data (selected)</i>
Finance and management	Firm's management – culture and ethics
Financial returns/revenues	Customer satisfaction
Costs, Financial costs and overhead budget	Innovation, quality, technologies, knowledge
Capital equity and Financial capital	Suppliers and buyers/purchasers
Financial and capital investments	Human resources management
Profitability, liability and output	Employee satisfaction
Prices of goods and services, new products	Strategy of Market share
Market value of company	Marketing and sales strategy
Productivity and efficiency/ratios	Logistics and Distribution network

Source: researched by <http://www.benchmarking.cz> and personal cooperation with companies

Czech Benchmark Index (CBI) was created in order to help the comparison of Czech companies in increasing efficiency, development,

innovation and international competitiveness with EU best companies. CBI is a diagnostic tool that enables an anonymous comparison of company through financial and non-financial indicators with corresponding information of firms from around the world by the help of the competent benchmarking consultant. The Benchmark Index reveals the strengths and weaknesses of companies, focuses on core business and generates final report and action plan to increase profits, efficiency and competitiveness.

Previous studies demonstrated that Slovakia does have practical experience and also many problems with the implementation of benchmarking (Slovak BI). This method is used by some companies within the chemical, automobile, paper and heavy industries as well as within the service sector. Based on personal cooperation with concrete firms, some practical experience with implementation of benchmarking was obtained. Based on this experience, it is necessary to introduce some main problems, which should be avoided. The most **frequent problems** to solution are:

- Utilizing benchmarking as a research tool. Only existing process, which show some degree of stable production and productivity, should be used for benchmarking. This is the only way to obtain sufficient data for comparison.
- Utilizing benchmarking to enumerate and view the characteristics of the company. The overview of firm's characteristics within industry is not benchmarking *per se*. A formal comparison can only show where a firm stands, but cannot provide any information about how to improve that position. Benchmarking must reach deeper in order to identify the information often hidden behind the raw numbers (using qualitative data, innovation, technologies and knowledge).
- Incorrectly defined baseline state. It is paramount that own processes are correctly evaluated and analyzed for benchmarking to succeed.
- It is necessary to correctly identify a partner for benchmarking and, based on the analysis of their indicators, define which parameters will be used to gauge own comparative position. Incorrect interpretation of compared processes and different methodology or calculation of compared indicators of comparable processes must be avoided.
- Exclusion of customer's point of view. Narrow examination of economic and financial indicators can overlook customer's point of view. Therefore, an equality of weights for quantitative and qualitative parameters is highly advised when selecting benchmark parameters.
- Existence of many problems with financial resources and licences for benchmarking projects.

After multiple improvements, the Benchmark Index was transformed into a Winning Measures (WM) system during 2008 in Slovak Republic. WM system was a suitable tool for the introduction of new quality systems and certifications based on international competitiveness of the company with the possibility to access the EU Structural funds. WM was based on the Benchmark Index, which is used widely in the entire Europe. The present situation in company benchmarking has changed. The question is, if company benchmarking has the future and who is responsible for all benchmarking analyses and next implementation of projects in Slovakia.

Summary

The goal of knowledge management is the optimal use of company's intellectual capital and the knowledge of its employees through modern methods in order to increase productivity, profits and fulfill business strategies (Ślusarczyk, 2007). The strategic business plan and human potential of the company become interconnected in context of knowledge management, and information and communication technology serve to strengthen the interaction and support steps towards the business goal. We can assume that knowledge management is useful in the business practice, since it was created for the needs of the business practice. Based on an analysis of the suitability of knowledge management and the model for management of a knowledge-based company, it is necessary to focus on the following trends and factors in the area of knowledge management in a knowledge-based economy, that are its effects:

- enrichment of business processes and strategies with knowledge
- development of knowledge management with the focus on customers formation of knowledge communities
- new approach to evaluation of knowledge and its efficiency
- development of knowledge management processes and innovation
- utilization of new, modern tools and methodologies for knowledge management (f.e. company benchmarking)
- creation of knowledge-based products
- knowledge workers as a competitive advantage.

Competitive analysis of method of benchmarking identifies gaps in performance on key dimensions such as productivity, growth, costs, investments and innovation. However, competitive analysis does little to explain why these differences of performance have occurred and, in some cases, remain for many years in spite of widespread access to new technologies, capital, knowledge and skilled human resources. Benchmarking

goes beyond competitive analysis by providing an understanding of the processes that create superior performance and sets out to identify best practices worldwide to measure how those results have been achieved.

The utilization of benchmarking, benchmarking analysis and processes in knowledge management and real practice in all companies and many fields has been growing around the world. Moreover, Benchmark Index model can become an attractive tool for business management especially in connection with obtains certification of quality and financing from EU Structural funds.

Bibliography

1. CHAPČÁKOVÁ, A. - HEČKOVÁ, J. Komparácia súčasného stavu inovačnej výkonnosti Slovenskej republiky a krajín Európskej únie. In Nová ekonomika: vedecký časopis Národohospodárskej fakulty EU v Bratislave, roč.2, č. 4, 2009. ISSN 1336-1732.
2. MORTON, S. The Corporation of the 1990s, Information technology. New York, Oxford University Press, 1991.
3. ŚLUSARCZYK, B. *Investment Strategy As a Condition for Pursuing a Company's General Strategy* [w:] Annales Universitatis Apulensis. Series Oeconomica Vol.2, Nr. 9, 2007.
2. SOJKA, L. Rola angažovanosti zamestnancov v znalostnej ekonomike. In Znalostné determinanty regionálneho rozvoja: súbor vedeckých štúdií projektu VEGA č. 1/4638/07 a CEVKOG. Prešov: Prešovská univerzita v Prešove, Fakulta manažmentu, 2007. ISBN 978-80-8068-695-6.
3. ŠIRÁ, E. Znalostná ekonomika a znalostný manažment. In Znalostné determinanty regionálneho rozvoja: súbor vedeckých štúdií projektu VEGA č. 1/4638/07 a CEVKOG. Prešov: Prešovská univerzita v Prešove, Fakulta manažmentu, 2007. ISBN 978-80-8068-695-6.
4. TRUNEČEK, J. Znalostní podnik ve znalostní společnosti. Praha: Professional Publishing, 2003. ISBN 80-86419-35-5.
5. ZÁVARSKÁ, Z. Identifikácia kľúčových indikátorov finančnej výkonnosti podniku. In Zborník vedeckých prác katedry ekonómie a ekonomiky ANNO 2009 [elektronický zdroj]. Prešov: Prešovská univerzita v Prešove, Fakulta manažmentu, 2009. ISBN 978-80-555-0005-8.
6. Český benchmarkingový index. [on-line]. Praha: Program podpory, podnikání a inovace, 2009. [cit. 2010-06-28]. Dostupné na [www: <http://www.czechinvest.org/benchmarking>](http://www.czechinvest.org/benchmarking)
7. Uživatelská příručka BI. [on-line]. [cit. 2010-06-28]. Dostupné na [www: <http://www.benchmarking.cz/pdf/uzivatelska_prirucka.doc>](http://www.benchmarking.cz/pdf/uzivatelska_prirucka.doc)

Contacts

Ing. Dana Kiseľáková, PhD.

Fakulta manažmentu, Prešovská univerzita v Prešove,
ul. 17. novembra 1, 080 01 Prešov, Slovakia

E-mail: kiselakova@unipo.sk

Ing. Alexander Kiseľák

Fakulta manažmentu, Prešovská univerzita v Prešove,
ul. 17. novembra 1, 080 01 Prešov, Slovakia

E-mail: alkis@stonline.sk

Influence of Global Crisis on Investment in Poland

Sebastian Kot – Beata Ślusarczyk

Czestochowa University of Technology, The Management Faculty

Abstract

Contemporary world economy is completely different from the economy of twenty or thirty years ago. One of the most important differences is the intensification of the process of globalization. This trend results in the widening influence of international capital on national economies and the changing characteristics of company operation.

Foreign direct investments play a crucial role in the process of globalization, at the same time supporting the development of national economies. The flow of capital in the shape of FDI facilitates an access to technologies, know-how and management skills, accelerating the integration of national economies with international markets, production and distribution networks, and strengthening the international competition of companies and whole national economies. Therefore in the paper Authors consider last economic crisis on the scale investments in Poland and how it has changed in last few years.

Key words

Foreign direct investments

Global economy crisis

The still growing economic, financial and social interdependencies which result from globalization have twofold consequences. On the one hand, these consequences are positive: influx of foreign capital, scientific and technological development, expansion of potential customers' market, increasing effectiveness of economic activities, investment boom, and economic growth. On the other hand, a disadvantage of globalization is the fact that national economies become very sensitive to economic fluctuations in geographically distant regions. This is especially noticeable in the sphere of finance. The present world economic crisis has its roots in the subprime mortgage loans. Over the years of economic boom, the intermediaries responsible for organizing mortgage loans, given the incentive of high commissions, persuaded the people with small loans to accept mortgage loans with low upfront fee or no upfront fee, and without checking out the loans. A

serious crisis in the field of subprime mortgage loans started in July 2007, with the bankruptcy of two hedge funds (making their profit on small disparities in the exchange rate of various currencies) of the American investment bank Bear Stearns.¹ The world economic market has undergone considerable change since 2007, when the continuous non-inflationary growth took place. As was forecast, the year 2008 proved that the crisis was endangering not only American economy, but world economy as well.² Towards the end of summer 2008 it seemed that the influence exercised by growing prices of energy would be diminished and the slumping economy was on its way to recovery. However, the autumn of 2008 brought a series of various interdependent upheavals. The improvement in housing economy triggered off credit crunch and continuous drop of stability in the financial market, combined with the threat of increasing inflation, dramatic fluctuations in the price of petroleum, and raising prices of goods accelerated by the weakening of American dollar. The results of all these factors became even more severe with a sudden rise in food prices.³ Between September 2008 and March 2009 the economy was receding at the pace of 5.5%. Financial institutions lost trillions of dollars, euros and French francs. Financial liquidity of a majority of institutions became threatened and the stock exchanges suffered severe drops. Central banks provided the support of hundreds of trillions worth, and the scope of their intervention was not limited to supporting markets but also included preventing the bankruptcy of individual institutions.

According to the forecasts of a majority of economists, the crisis had to influence mainly "ripe" economies, such as the ones found in western Europe, since they were tightly connected financially with the USA. However, in reality the crisis has made an impact on the whole world.⁴

One of the results of the crisis in the mortgage market in 2007 in the USA was the unprecedented influx of investment funds into developing markets and markets which were undergoing a transformation. In September 2007, the funds investing money in the frontier markets gathered 15.7 billion dollars net from the investors⁵. This was the largest sum in the history of this type of

¹ The Economic Times: *Global financial crisis: The story so far*. September 21, 2008

² Sachs J.: *Ameryka w końcu zapłaci swoje rachunki*. Europa nr 14 (209), 5 kwietnia 2008 p. 28

³ Committee on Economic Affairs and Development Provisional Report „*OECD and the World economy*” July 11th, 2008 p. 14

⁴ Jahnson P.: *Americans should Mount their blessings*. Forbes, June 30, 2008

⁵ Stanley M.: *Report Inwestycyjny* 2007.

investment. Between early September and 25th October 2007, the funds in question gathered nearly 34 billion dollars, i.e. more than during the whole 2005 and 2006.¹ Therefore, it can be concluded that in 2007 there already took place another increase in portfolio investments. The funds which attract the most money of the investors are especially those which invest in Asia, Latin America, and specialize in BRIC countries (Brazil, Russia, India, China), and are global emerging funds.

The year 2006, when the tendency for growth was observed, was actually the third year in a row of the increase in foreign direct investment, the situation being a worldwide phenomenon.² In 2006, the considerable influx of foreign direct investment (FDI) amounted to USD 1.3 trillion, which meant the increase by another 38% in comparison with 27% in 2004 and 29% in 2005, as well as reaching the level close to that observed in 2000, when the record value of 1.3 trillion dollars was set up for FDI. The influx of FDI was noticeable in all major subregions: in developed countries, developing countries, and in countries undergoing transformations, i.e. in southeastern Europe and in the Commonwealth of Independent States. The growth tendency discussed above has been present throughout the last 26 years. However after uninterrupted growth in FDI activity in the period 2003–2007, global FDI inflows fell by 14% in 2008 to \$1,697 billion, from a record high of \$1,979 billion in 2007

FDI flows fell further as the financial crisis entered a tumultuous new phase in September 2008 following the collapse of Lehman Brothers (one of the largest financial institutions in the United States), and as major developed economies fell into, or approached, economic recession. In contrast, developing and transition economies saw FDI inflows rise in 2008 to record levels for both.

Worldwide foreign investment reached the value of USD 12 trillion; the type of investment in question was made mainly by transnational corporations (TNC). The group of transnational corporations comprised about 82 000 parent companies and 810 000 foreign affiliate companies³. According to business forecasting, the turnover, value added and export of the TNC in 2006 increased by 18%, 16% and 12% respectively. While the influx of FDI into developed countries increased by 45% and reached the value of USD 857 bln,

¹ Jóźwik T.: *Pieniądze płyną na rynki wschodzące*. Forbes 12/2007

² UNCTAD “*Transnational Corporation, Extractive Industries and Development*”, 2007

³ World Investment Report 2009, Transnational Corporations, Agricultural Production and Development. United Nations, New York and Geneva, 2009

the influx into developing countries amounted to USD 379 bln (21% increase), and the influx into economies undergoing a transformation amounted to USD 69 bln (68% increase), reaching the highest level in history. However, the international stature of TNC has not insulated them from the worst global recession in a generation. The 4.8% reduction in inward FDI stock worldwide was reflected in the decline in value of gross product, sales and assets, as well as employment of TNCs' foreign affiliates in 2008, a marked contrast to huge double-digit growth rates in 2006 and 2007.

The United States regained the leading position with reference to the influx of foreign direct investment, leaving behind Great Britain and France. Among developing countries and the countries whose economies were undergoing a transformation, nearly all regions noticed a considerable increase in the influx of FDI in 2006. Only in Oceania, South America and the South African Republic there was an outflow of FDI. In the group of developing countries the influence of FDI was the most significant in China, Hong Kong (China) and Singapore. As for the economies undergoing a transformation, the largest influx of FDI was observed in Russia.

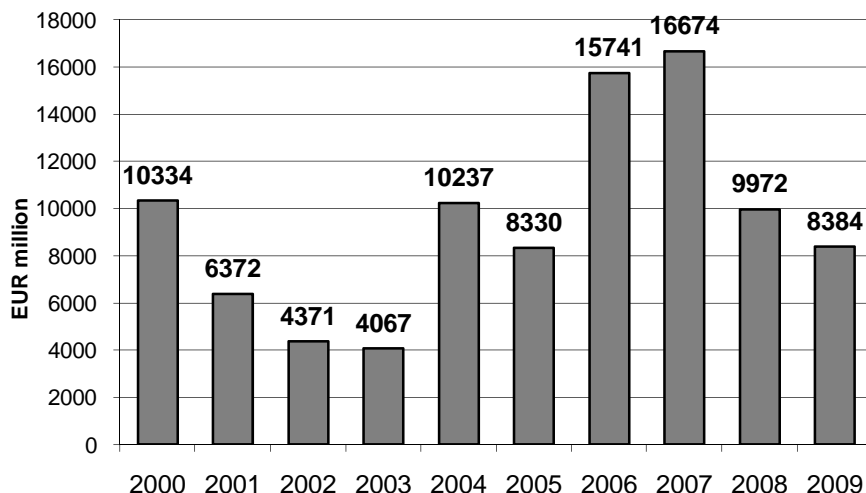
Developed countries still remained the major source of investments (84% of all investments made). In 2006, the largest exporter of foreign direct investments were the United States (USD 217 bln). The USA was followed by the EU countries, i.e. France (USD 115 bln), Spain (USD 90 bln) and Great Britain (USD 79 bln). The role played by developing economies and economies undergoing a transformation as a source of foreign direct investment was still growing. In the group of developing economies, the most important part was played by Hong Kong (China), with USD 43 bln, and in the group of economies undergoing a transformation the most important role was played by Russia, with USD 18 bln. The value of foreign direct investments flowing out of these two groups of countries amounted to USD 193 bln, i.e. 16% of the overall world outflow of FDI. United States stayed still on the top FDI source country all over the world after crisis effects dissemination but there are changes on next places of the juxtaposition of top sources of FDI outflows. There are France, Germany, Japan and then United Kingdom as a main FDI sources.

Analysis of FDI in Poland after the crisis of 2007

According to the data released by the National Bank of Poland (NBP), the value of foreign direct investment (FDI) to Poland in 2008 was EUR 9.972 billion (estimated value of FDI in 2009 amounted to 8384 billion see figure 1) and was about 40% lower then in 2007. The amount comprised of:

- EUR 6.493 bn - investment in equity capital,
- EUR -483 mn - negative reinvested earnings,
- EUR 3.917 bn - intercompany loans.

Fig. 1. Inflow of the FDI to Poland 2001 – 2009 (mn EUR)



Source: National Bank of Poland (NBP)

The most investments were located in the given sectors:

- Financial intermediation (EUR 3.013 bn),
- Real estate and business services (EUR 2.605 bn),
- Trade and repairs (EUR 1.455 bn),
- Manufacturing (EUR 1.442 bn),
- Electricity, gas and water supply (EUR 1.407 bn)

In 2008 EUR 9,083 million (91%) came from the EU states. The main sources of FDI to Poland were Germany (EUR 1.619 bn), the Netherlands (EUR 1.605 bn), Luxembourg (EUR 1.340 bn), Sweden (EUR 1.111 bn), France (EUR 567 mn), Cyprus (EUR 471 mn), Austria (EUR 455 mn) and Iceland (EUR 435 mn) see figure 2.

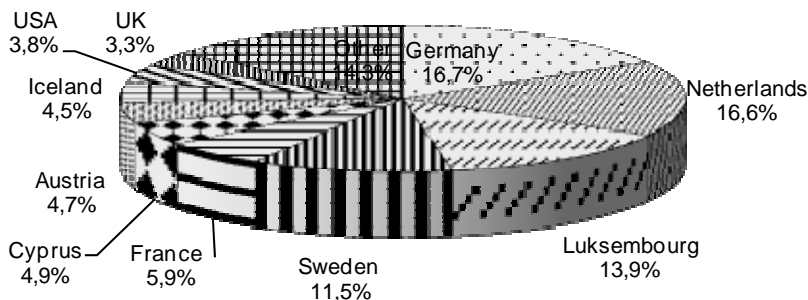
The most investments were located in the given sectors:¹

- Financial intermediation (EUR 3.013 bn),
- Real estate and business services (EUR 2.605 bn),
- Trade and repairs (EUR 1.455 bn),

¹ <http://www.paiz.gov.pl>

- Manufacturing (EUR 1.442 bn),
- Electricity, gas and water supply (EUR 1.407 bn)

Fig. 2. Foreign direct investments in Poland the inflow of capital in 2009



Source: National Bank of Poland (NBP)

Investment according to country:

USA According to the figures of the Central Statistical Office (GUS), at the end of 2008 there were 761 firms with shares of US capital in Poland, with 901 different shareholders. The basic foreign capital of these firms was PLN 5,578.8 million, which formed a 3,82% share of the total foreign capital. In the same period in Poland operated 139 companies, where the value of the American capital exceeded USD 1 million. The basic US capital was estimated at a level of PLN 5,383.5 million, which formed 3,82% of the value of all the investments above USD 1 million.

The United Kingdom According to the figures of the Central Statistical Office (GUS), at the end of 2008 there were 1,107 firms with shares of British capital in Poland, with 1,389 different shareholders. The basic foreign capital of these firms was PLN 5,326,5 million, which formed a 3.65% share of the total foreign capital. In the same period in Poland there operated 147 companies, where the value of the British capital exceeded USD 1 million.

The basic British capital was estimated at a level of PLN 5,121.6 million, which formed 3.64% of the value of all the investments above USD 1 million.

Germany According to the figures of the Central Statistical Office (GUS), at the end of 2008 there were 5,835 firms with shares of German capital in Poland, with 7,473 different shareholders.

The basic foreign capital of these firms was PLN 26,024.5 million, which formed a 17.83% share of the total foreign capital. In the same period in Poland there operated 705 companies, where the value of the German capital exceeded USD 1 million. The basic German capital was estimated at the level of PLN 24,635.9 million, which formed 17.49% of the value of all the investments above USD 1 million.

According to the NBP figures in 2008 cumulated German FDI accounted for EUR 18,145.3 million.

Japan According to the figures of the Central Statistical Office (GUS), at the end of 2008 there were 73 firms with shares of Japanese capital in Poland, with 90 different shareholders. The basic foreign capital of these firms was PLN 1,999.1 million, which formed a 1.37% share of the total foreign capital. In the same period in Poland there operated 40 companies, where the value of the Japanese capital exceeded USD 1 million. The basic Japanese capital was estimated at a level of PLN 1,980.7 million, which formed 1.41% of the value of all the investments above USD 1 million.

France According to the figures of the Central Statistical Office (GUS), at the end of 2008 there were 1,210 firms with shares of French capital in Poland, with 1,651 different shareholders. The basic foreign capital of these firms was PLN 23,134.3 million, which formed a 16.22% share of the total foreign capital. In the same period in Poland there operated 262 companies, where the value of French capital exceeded 1 million USD. The basic French capital was estimated at a level of PLN 22,849.6 million, which formed 16.22% of the value of all the investments above USD 1 million.

China According to the figures of the Central Statistical Office (GUS), at the end of 2008 there were 289 firms with shares of Chinese capital in Poland, with 558 different shareholders. The basic foreign capital of these firms was PLN 91.6 million, which formed a 0.06% share of the total foreign capital.

FDI stock

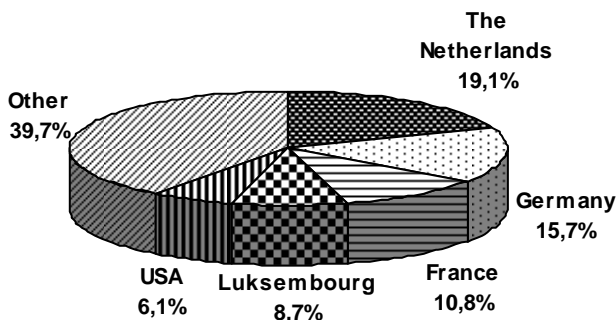
FDI stock at the end of 2008 amounted to EUR 115.7 bn. The main components were:

- share capital and reinvested earnings, totaling to EUR 87.6 bn (75.7% of the whole stock),

- intercompany loans, worth EUR 28.1 bn (24,3% share in total FDI stock)

The vast majority came from the OECD states (93.5%), whereas the share of EU states was 85.6%.

Fig. 3. Foreign direct investments stock in 2008



Source: National Bank of Poland (NBP)

Summary

Foreign direct investment is the most advanced way of entering foreign markets, it is a type of investment which entails long-term relationships and continuous involvement so FDI can be a crucial way for country development and economy situation improvement. Unfortunately, they are strictly connected with global economy situation.

World economy and financial crisis of 2007 have had a great influence on the FDI level in host countries as Poland. The level of FDI has been decreased in 2008 and in 2009 as well. It is important to government decisions making to make Poland the country more FDI-friendly introducing policy lowering barriers to FDI and lowering corporate income taxes.

Bibliography

1. Committee on Economic Affairs and Development Provisional Report „*OECD and the World economy*” July 11th, 2008
2. <http://www.paiz.gov.pl>

3. Jahnson P.: *Americans should Mount their blessings*. Forbes, June 30, 2008
4. Jóźwik T.: *Pieniądze płyną na rynki wschodzące*. Forbes 12/2007
5. Sachs J.: *Ameryka w końcu zapłaci swoje rachunki*. Europa nr 14 (209), 5 kwietnia 2008
6. Stanley M.: *Raport Inwestycyjny 2007*.
7. The Economic Times: *Global financial crisis: The story so far*. September 21, 2008
8. UNCTAD “*Transnational Corporation, Extractive Industries and Development*”, 2007
9. *World Investment Report 2009*, Transnational Corporations, Agricultural Production and Development. United Nations, New York and Geneva, 2009

Contacts

prof. Sebastian Kot, Ph.D. Eng.
The Management Faculty,
Czestochowa University of Technology, Czestochowa, Poland
E-mail: sebacat@zim.pcz.czest.pl

Beata Ślusarczyk, Ph.D. Eng.
The Management Faculty,
Czestochowa University of Technology, Czestochowa, Poland
E-mail: jagoda@zim.pcz.czest.pl

Management of Foreign Direct Investments – Economic Coherences of Regional Development in the Slovak Republic before the Acceptance into the EU

Rastislav Kotulič

University of Prešov in Prešov, Faculty of Management

Abstract

Nowadays, the most visible is the problem of slow economic growth of under-developed regions of Slovakia. It is important to look for new ideas and to find solutions in new approaches and more elaborate concepts of regional policy.

From the point of view of content, this article analyses the economic development of regions of Slovakia on the level of regions, on the basis of the influx of foreign direct investment (FDI).

On the basis of stated methodology for evaluation of economic level of regions and their under-development was used a complex relevant indicator of development, which is the amount of foreign direct investment flowing into the particular region on the level of NUTS III (regions of Slovakia). From the analysis it is obvious that the most under-developed region in the particular time period is the Prešov region and the most developed region is the Bratislava region.

Key words

Foreign Direct Investment (FDI),. Region NUTS III, Economic Growth.

Introduction

The transformation from the planned to the market economy is accompanied by the decrease of the GNP and industrial production in almost all the countries of middle and east Europe. This decrease was influenced by a range of currently known facts as: deformed economic structure, the loss of markets of the former CMEA, liberalization of trade and related forming of competitive environment.

It will be very a difficult and lengthy process to draw level with the developed EU regions. According to optimistic estimations of reputable economists the process will not last a decade, rather it will last a period comparable to one human generation.

Material and Methods

References were taken from the Internet sites of the SNB (Slovak National Bank), Statistic Office of the Slovak Republic, scientific books and anthologies.

This article analyzes economic development of Slovak regions based on the influx of foreign direct investment (FDI). The evaluation of economic level of regions and their underdevelopment was based on one complex and, according to my view, relevant development indicator, which is the amount of foreign direct investment flowing to a specific region on the level of NUTS III (regions of the Slovak Republic). The most underdeveloped region of the Slovakia was the one with the lowest proportional influx of foreign direct investment in the relevant period of time. The point evaluation in the range of 0 through 100 is an average proportional expression of the condition of foreign direct investment monitored throughout a period of 6 years, whereas the more points marks the higher development and less points the lower development of a certain region.

Standard mathematical-statistical methods and numerical calculations of the EXCEL software were used in the evaluation process.

Results and Discussion

The Slovak Republic can be characterized as a small open economy. There exist several resulting facts of this characteristics, one of them is that every development in the world is markedly projected in the economic development of the Slovakia, moreover, our economy is open to the flow of international capital in the form of foreign direct investment (FDI) or in the form of foreign portfolio investment (FPI). The globalization phenomenon resulted in the increase of the flow of the international capital in 1990s, which was expressed by intensive involvement of small open economies into the process of globalization.

The international flow of the capital has the same reasons as the flow of the capital within an economy or economic coalition. Attracting of a foreign investor to capital manifestation in our market is not an easy task and it demands fulfillment of the positive evaluation concerning 6 basic criteria (economic force, business ethics, degree of integration to the world economy, abundance of laws, investment climate and political stability). Foreign investors regard the relation between the current account deficit and the gross domestic product of a country as an important indicator of the stability of the economy.

The foreign investor aspires for the domestic (local) market or for a share of the world market. In the first case, exports are minimal and the foreign business competes in the domestic market only, what most likely ends with

building of a monopoly that has known disadvantages for the economy of the host country. In the second case, exports are maximal and the foreign business competes with other businesses in the world market, which mostly leads to expansion of production and investment in the new technologies and innovation, which is manifested in better quality of goods and services.

Advantages of the influx of FDI for the host country are as following examples:

- the state budget income will increase in the long-term horizon,
- productivity of the productive factors will increase (it is an indirect effect named *spillovers*, which means swilling of technological knowledge and at the same time building of competitive pressure on the domestic producers)
- increasing of employment in regions with high influx of FDI

Disadvantages of the influx of FDI for the host country are as following examples:

- price production may decrease the export income,
- in some cases the negative influence on the natural environment (*resource-seeking*)
- in some cases of markets with cheap labour force, the final result of the influx of FDI might be the conservation effect, the business stops its growth.

The most recent theories of the economic growth are based on the important dependency between the economic growth and the state of domestic technology, considering the rest of the world. Economic growth rate is explained as a “*catch-up*” process, considering the technology state of the home country. In the model of the economic diffusion, the economic growth rate of an under-developed country depends on the degree of accepting and implementing of new technologies used by foreign businesses.

According to the neoclassical model of Trevor Swan and Robert Solow (*theory of absolute convergence*), the Nobel Prize 1987 laureate, the under-developed countries should develop faster than the developed ones. This is in contrast with Lenin’s theory of imperialism that states that the rich countries grow at the expense the poor countries. On the other hand, the Solow-Swan model is able to explain the growing international differences conditioned by the convergence, where the economic growth depends on other factors – amount of savings, that is higher in the rich states than in the poor ones. That means that the rich states converge to a different point than the poor states,

and thus they may grow faster. The convergence should be valid within countries as well as between countries with approximately the same economic parameters as for example individual states of the USA or states of the OECD.

Foreign direct investment (FDI) are considered to be the most important instrument of the transfer of new technologies, moreover, some studies present the so-called complementarily effect on the economic growth of a country evoked by FDI.

In the current economy there are two best-known theoretical models that explain the flow of foreign investment. The first one is the gravitational model that stresses that the flow of investment is positively influenced by the extent of the market and negatively influenced by the distance of the host country. The second is the agglomerative model of economy, that stresses the fact that international businesses locate their capital in the same place (or the same region respectively) as their competition, thus creating the so-called synergic effect.

The form of investment is also determined by the protection of intellectual property in the host country. On this basis the business decided whether it would be an investment on the green meadow, joint venture or the transfer of older technology only. The degree of protection has deciding influence on the transfer of investment in the form of the so-called hi-tech products and goods.

The assessment of under-development of individual regions of the Slovakia on the level of NUTS III (region), on the basis of the above-mentioned theoretical information, used only one economic indicator, which is the amount of foreign direct investment stated in Slovak currency. This decision was based on the fact that the foreign direct investment (FDI) are considered to be in the world of globalization the most sensitive sensor of the economic development.

The data in the table 1 show that the amount of the foreign direct investment to the Slovak Republic was increasing each year. The influx of FDI in last four-five years is in the Slovak Republic characterized by two central features. The first feature shows that the influx of FDI in the time period covered mostly building of distributional webs (year 1999) and privatization goals of the government especially concerning telecommunication (year 2000), bank and insurance sector (year 2001) and some branches of power industry (year 2002). These investment strengthened the infrastructure in a broader sense, this being one of the prerequisites of increasing of the competitiveness of the economy as a whole, however, investment into the processing industry were modest. This could not be sufficient from the point of view of the influx of FDI for the increasing of the competitiveness in this sector of the economy.

Development of FDI in individual regions of the Slovak Republic is presented in the following table 1.

Table 1 Amount of foreign direct investment (FDI) for regions of SR during 1999-2004

NUTS III	currency	1999	2000	2001	2002	2003	2004*
Bratislava	in mil SKK	57 082	99 068	146 484	224 663	245 040	259 925
Region	in mil USD	1 350.5	2 090.5	3 022.3	5 611.5	7 443.5	7 999.7
Trnava	in mil SKK	8 539	9 674	11 569	13 512	17 564	21 850
Region	in mil USD	202.0	204.1	238.7	337.5	533.5	672.5
Trenčín	in mil SKK	6 473	6 749	7 099	9 137	11 943	12 999
Region	in mil USD	153.1	142.4	146.5	228.2	362.8	400.1
Nitra	in mil SKK	3 645	4 503	7 626	8 606	10 652	11 413
Region	in mil USD	86.2	95.0	157.3	215.0	323.6	351.3
Žilina	in mil SKK	3 392	8 527	10 316	12 241	14 106	16 458
Region	in mil USD	80.3	179.9	212.8	305.7	428.5	506.5
Banská Bystrica	in mil SKK	4 759	5 440	8 180	8 337	8 892	9 051
Region	in mil USD	112.6	114.8	168.8	208.2	270.1	278.6
Prešov	in mil SKK	4 233	4 743	5 532	5 874	6 003	6 386
Region	in mil USD	100.2	100.1	114.1	146.7	182.4	196.5
Košice	in mil SKK	7 915	38 437	37 590	32 793	34 106	34 423
Region	in mil USD	187.3	811.1	775.6	819.1	1 036.0	1 059.4
Overall	in mil SKK	96 038	177 141	234 396	315 163	348 306	372 505
Amount of FDI	in mil USD	2 272.2	3 737.9	4 836.1	7 871.9	10 580.4	11 464.6

Source: Slovak National Bank

Note: * amount of FDI up to 30.9.2004

The second feature of the Slovak economy is that there is outweigh of FDI searching for expense advantages, which is typical for the so-called export oriented FDI.

From the sectoral point of view it is possible to stress the capital entries of foreign investors to telecommunication, metal processing and oil processing. More than 40 per cent of all the influx of FDI for the year 2000 was allotted for the selling of 38 per cent parcel of shares of the Slovak telecommunication to Deutsche Telekom. Another important transfers of investment were the entry of U.S. Steel to steelworks VSŽ Košice (volume of 485 mil USD), selling of shares of refinery Slovnaft to a Hungarian company MOL (270 mil USD) and the entry of the Neusiedler company to papermill SCP Ružomberok (80 mil USD).

In 2001 as the most important entries of foreign investors can be considered the selling of the Slovak Savings Bank to an Austrian Erste Bank (380 mil USD), selling of VÚB to an Italian financial group IntesaBci, privatization of 49 per cent of shares of the Slovak Gas Industry by the Russian concern Gazprom, French Gaz de France and German Ruhrgas (2.7 bil USD) as well as the capital entry of the Yukos company to Transpetrol. In this year, the decision was made about selling of distributing energy companies, with the German energy concern E.ON Energie owning 49 pre cent of shares of ZSE, s.c., the German company RWE Pluis owning 49 per cent of shares of VSE, s.c. and the French company EdF owning the 49 per cent of shares of SSE, s.c..

The flow of the foreign investment into the Slovak economy within sections are not stable. There are branches with a relatively strong position of foreign investors (industrial production, wholesale and retail, finances and insurance, transport and storage), on the other hand, there are branches with a marginal proportion of foreign investment (agriculture, raw material mining, building industry, hotels and restaurants, health services and social services, etc.).

The Slovak Republic started to concentrate on the automobile industry, however, economists point out possible risks. By the entry to the European Monetary Union, the possibility of the so-called asymmetric shocks is increasing. Thus, if there is a crisis in the automobile industry, the small Slovak market tied to this industry might fall into recession, but the monetary instruments of the European Central Bank might be directed in an opposite direction.

The high volume of investment is what distinguishes companies with the foreign capital from companies of Slovak owners. Foreign investors located their investment to companies, which were above average productive and profit making, moreover, after acquisition of such a company, they increased the productivity by investment into technologies, distribution channels and

work systematization. This is different with the domestic companies, which in the long term will not be able to compete with the foreign companies.

On the basis of this fact, it is possible to state that the gap between the foreign and domestic producers will be widening, which will result in putting of the Slovak economy into the position of a dual economy. This will result in, on one hand with prosperous and growing companies tied to foreign capital and on the other hand with under-capitalized domestic companies (mostly former big state businesses and corporations) with unsolved terms of ownership. This will lead to no competitiveness of products of Slovak-owned companies on the European market as a consequence of the vertical differentiation of production. This will have an important influence on the price level of production of Slovak-owned companies and foreign-owned companies, as well as on the possibility of export of the production and amount of earnings of their employees. There is only one resulting conclusion, if the monetary rate and average earnings are adjusted to the level of hardly surviving domestic producers, the growth of the Slovak economy will be lower than it could be if the monetary rate and average earnings were converging to the level of monetary rate and earnings of developed European economies.

Table 2 presents the development of FDI in comparative expression on the level of individual regions of NUTS III (region), it is possible to observe the centralization of FDI in the Bratislava region.

Table 2 Amount of foreign direct investment in comparative expression in 1999-2004

NUTS III (region)	1999	2000	2001	2002	2003	2004*
Bratislava region	59.44%	55.93%	62.49%	71.28%	70.35%	69.78%
Trnava region	8.89%	5.46%	4.94%	4.29%	5.04%	5.87%
Trenčín region	6.74%	3.81%	3.03%	2.90%	3.43%	3.49%
Nitra region	3.80%	2.54%	3.25%	2.73%	3.06%	3.06%
Žilina region	3.53%	4.81%	4.40%	3.88%	4.05%	4.42%
Banská Bystrica region	4.96%	3.07%	3.49%	2.65%	2.55%	2.43%
Prešov region	4.41%	2.68%	2.36%	1.86%	1.72%	1.71%
Košice region	8.24%	21.70%	16.04%	10.41%	9.79%	9.24%
Amount in %	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Source: Slovak National Bank, own calculations

Note: * amount of FDI up to 30.9.2004

The tendency of concentration of FDI into the most developed regions is not a problem of the Slovak Republic only. In spite of that, differences in the influx of

FDI are considerable in the Slovakia. In the Czech Republic, 52 per cent of the amount of FDI is concentrated in Prague, which is in average of 10 per cent lower than the share of the Bratislava region of the overall amount of FDI in the Slovak Republic.

The future trends are not progressing favourably. Regardless of declarations of the Slovak government of the effort to shift the investment more eastward, realized steps are not sufficient and do not diminish growing regional differences. In the first half of 2004, the SARIO agency helped to locate from 16 reported projects more than 95 per cent into the territory of the west Slovakia and the Žilina region. In the second half of 2004 there was reported one major investment in the Košice region. It will be an investment of the Ford company that plans to create 1000 work places. In the Prešov region, which is the most under-developed region (see Table 3), was not reported any considerable investment. In contrast with that is the amount and number of investment expected in the west of Slovakia much higher. A considerable part of the investment are coming to Slovakia without the help of the government and mostly these investment are heading to Bratislava and the western Slovakia, which is confirmed by official numbers by the Slovak National Bank on the influx of FDI.

Table 3 Development of regions of Slovakia according to economic indicator of FDI in point expression

NUTS III	1999	2000	2001	2002	2003	2004*	Final	Final
	points	points	points	points	points	points	points	listing
Bratislava region (BA)	59.44	55.93	62.49	71.28	70.35	69.78	64.88	1
Trnava region (TT)	8.89	5.46	4.94	4.29	5.04	5.87	5.75	3
Trenčín region (TN)	6.74	3.81	3.03	2.90	3.43	3.49	3.90	5
Nitra region (NR)	3.80	2.54	3.25	2.73	3.06	3.06	3.07	7
Žilina region (ZA)	3.53	4.81	4.40	3.88	4.05	4.42	4.18	4
Banská Bystrica region (BB)	4.96	3.07	3.49	2.65	2.55	2.43	3.19	6
Prešov region (PO)	4.41	2.68	2.36	1.86	1.72	1.71	2.46	8
Košice region (KE)	8.24	21.70	16.04	10.41	9.79	9.24	12.57	2

Source: Slovak National Bank, own calculations

Note: * amount of FDI up to 30.9.2004

On the basis of stated methodology for evaluation of economic level of regions and their under-development was used a complex relevant indicator of development, which is the amount of foreign direct investment flowing into the particular region on the level of NUTS III (regions of Slovakia). From the analysis it is obvious that the most under-developed region in the particular time period is the Prešov region and the most developed region is the Bratislava region. The listing of regions is shown in the table 3.

From the analysed data it is possible to observe following trends in the regional development of Slovakia on the level of NUTS III (region):

- Even greater widening of differences on the level of FDI between regions with high share of FDI and those with low share of FDI as a result of the so-called agglomerative model of economy
- Growing trend in the amount of FDI in regions with growing infrastructure
- Fall of FDI in Prešov, Nitra and Banská Bystrica regions resulting from non-existence of functional industrial parks and zones

It is important to note that the considerable differences in amount of FDI are influenced by the methodology of the calculation of FDI that stated the influx of foreign direct investment according to the place of residence of the company, thus Bratislava “officially” attained considerably higher amount of FDI. This was the case of privatization of big state businesses like for example the Slovak Gas Industry or the Slovak Telecommunication.

Summary

If we apply the neoclassical model of Trevor Swan and Robert Solow (theory of absolute convergence) on regions of the Slovak Republic, than from the long-term point of view the under-developed regions would come nearer to developed regions. According to professional assessment, this process of convergence should have measurable impact at the latest early in 2013, when the road infrastructure should be completed (motorway web) and the development of the industrial parks and zones should be in progress. Until then is the dream of a fast growth of economic under-developed regions of the Slovak Republic just an illusion bordering with inappropriate populism.

The process of bringing the under-developed regions closer to the developed ones can be hastened by various economic stimuli that would activate not only foreign investors, but also domestic companies. Taking into consideration that the highest resources in investment into the production have the Slovak-owned companies, following 4 to 6 times increase of domestic

investment would surely hasten the transformation process of the Slovak economy and thus helped to a faster approximation of under-developed regions to the developed ones.

Under-developed regions meet many obstacles. Low pensions lead to low savings; low savings slow down the capital growth; insufficient capital impedes introduction of new technologies and the fast growth of productivity; low productivity leads once again to low pensions. The question that scares countries in this century is how to break from this bewitched circle. One of the ways is to prepare conditions for influx of the foreign capital (new technologies and know-how) in form of foreign direct investment and thus hasten the process of economic transformation and convergence of under-developed regions to the level of the developed one.

Bibliography

1. ADAMIŠIN, P., RÁKOŠ, J. Makroekonomické súvislosti rozvoja agrárneho sektora v Slovenskej republike. In: *MendelNet 2007 - Sborník vedeckých príspevků z mezinárodní vědecké konference*. Brno : Mendlova zemědělská a lesnická univerzita v Brně , 2007, CD nosič, ISBN 978-80-903966-6-1.
2. BUTORACOVÁ ŠINDLEROVÁ, I. Analýza ekonomického prostredia Prešovského samosprávneho kraja s ohľadom na rozvojový potenciál v rámci SR. In: *Súbor vedeckých štúdií projektu VEGA č. 1/4638/07 : Znalostné determinanty regionálneho rozvoja*. Ed. Štefko, R., Prešov : Fakulta manažmentu Prešovskej univerzity, 2007. S.46-63. ISBN 978-80-8068-695-6.
3. DAŇKOVÁ, A. Perspektívy regionálneho rozvoja malého a stredného podnikania. In: *Zborník vedeckých prác z „Medzinárodných vedeckých dní“*, Nitra, 1997, s. 212 - 218
4. FERENCOVÁ, M. Fenomén hodnoty. In: *Humanum*, Nr 3/2009. Warszawa, 2009. S. 433-442. ISSN 1898-8431.
5. HUDÁKOVÁ, I. Konkurencieschopnosť vybraných odvetví priemyslu v SR v procese integrácie do EÚ. In: *Zborník príspevkov zo 4. medzinárodnej konferencie - Ekonomické, politické a právne otázky medzinárodných vzťahov*, Bratislava 1.6.2005, vyd. Ekonóm, s.41, ISBN 80 – 225 – 2047 – 0.
6. KADERÁBKOVÁ, B. *Economic growth and foreign direct investment*. In Anthology of research works from the international research conference 2000. Nitra : SPU, 2000, p. 315–323. ISBN: 80-7137-716-3.
7. KOJDAKOVÁ, J. *Development of foreign direct investment in the SR during the pre-entry period*. In Anthology of research works from the international research conference MVD 2002. Račková dolina : Agroinstitute Nitra, 2002, Anthology no 35, p. 220-225. ISBN: 80-89162-02-9, EAN: 9788089162024.
8. KOTULIČ, R. *Foreign direct investment in the Slovak economy according to the regional differentiation and their trend analysis*. In Anthology of research studies

from the VEGA research grant no 1/8051/01 – Dimensions and factors of regional development. Prešov : Róbert Štefko, 2003, p.79-85. ISBN: 80-8068-230-5.

9. MAIER, G., TÖDTLING, F. *Regional and urban economy*. Bratislava : ELITA, 1997, 240 p. ISBN 80-8044-044-1.
10. MAIER, G., TÖDTLING, F. *Regional and urban economy II*. Bratislava : ELITA, 1998, 320 p. ISBN 80-8044-049-2.
11. Yearbook of the Statistic Office of the Slovak Republic 2001, Statistic Office of the Slovak Republic, Veda, SAV publishers, Bratislava, 2001.
12. Yearbook of the Statistic Office of the Slovak Republic 2002, Statistic Office of the Slovak Republic, Veda, SAV publishers, Bratislava, 2002.
13. Yearbook of the Statistic Office of the Slovak Republic 2003, Statistic Office of the Slovak Republic, Veda, SAV publishers, Bratislava, 2003.

This article is published as one of the outputs by the grant VEGA 1/0403/09

Contact

doc. Ing. Rastislav Kotulič, PhD.
Faculty of Management, University of Prešov in Prešov.
17. novembra 1, 080 01 Prešov, Slovakia
E-mail: rkotulic@unipo.sk

Structural Reforms and the Course of Commerce: The Case of Greece

Pantelis F. Kyrmizoglou

Alexander Technological Educational Institution, Greece

Abstract

The aim of this paper is a) to investigate the developments taking place in the Greek and global economy as regards to the course of commerce and the commercial firms themselves, and b) to evaluate the impact of the changes in the field of commerce.

Key words

Reforms, commerce, breakdown, Greece

Introduction

By connecting producers with consumers, commerce constitutes a very important entrepreneurial activity, as it encompasses considerable investments, undertakes business risks and adds value to the relative products. The importance of commerce becomes even higher in cases like the Greek economy, where production in all sectors is split in a big number of small firms which produce goods and services without having the necessary storing spaces, quality control labs, specialized salesmen and distribution networks for their promotion in the domestic and foreign markets.

The main functions carried out by commerce can be summarized in the following:

- studying and predicting the consumers' needs and wishes in order to have more acceptable goods and services
- choice and supply of products in the appropriate way and time in order to serve the consumer
- storing and maintaining of products, inventory management, packaging and promotion
- transportation and securing of the required distribution networks, after sales service
- corporate responsibility for the protection of the consumer and the environment
- educating and encouraging the consumer to make him more conscious in preferring products with guaranteed characteristics, organic products or environment friendly products.

Unfortunately the role of commerce is frequently overlooked. People of commerce are often blamed as speculators functioning against the interests of producers and consumers. On the other hand we should not ignore that any kind of production is not completed unless it reaches the consumer.

Even in cases where the manufacturing companies proceed to sell their products themselves, they just cover the function of the wholesaler but they cannot avoid the involvement of the retailers.

By the time, the sector of commerce attracts more and more investments and has an increasingly important role in the economy. It is considered a labor intensive sector of the economy, offering chances of employment to both specialized and non- specialized staff(18,5%of the active population of Greece are employed in the field of commerce).

In Greece, the sector of commerce produces 16% of the GDP compared with 11% respectively in the Eurozone.

The importance of commerce is also increasingly acknowledged by the banks. Commerce in 1990 was receiving 14,26% of the total business financing and in 2006 it was receiving 26,89% of the respective figure (Bank of Greece, 2008).

In the frame of this paper we investigate the developments taking place in the Greek and global economy as regards to the course of commerce and the commercial firms themselves. We also evaluate the impact of the changes taking place upon the field of commerce.

1. Structural reforms throughout the world

Commerce is continuously changing, due to the developments of new technologies, the deregulation of international markets and the change of consumer needs. The concentration and the creation of big commercial firms led to the strengthening of competition. The increased concentration is observed also in other countries (for example in France the three biggest commercial chains have a 55%market share and in Spain the respective percentage is 56% [Eurocommerce, 2008])

The effort to have negotiating advantages for the commercial firms in their transactions with domestic and foreign suppliers, leads to mergers and acquisitions in order to achieve the critical size and enjoy economies of scale. These tendencies lead to increasing foreign direct investments in commercial firms and consequently in the formation of big commercial chains. Therefore commercial groups can be supplied with products at the lowest possible costs, imposing in the same time the appropriate quality standard specifications.

The strengthening of the commercial firms' position leads manufacturing firms to more efficient production and introduction of innovations, as the competitive pressure to attract consumers affects both the producers and the commercial firms. The fierce competition prevailing among the commercial firms presses their net profit margins more than in other companies. So the average net profit margins of the retailers in the EU-27 are about 2 to 3 cents after tax in every sale of products valued at one Euro. There is also evidence that the increases in the prices of final products are mainly due to the increases in the cost of sales (including the taxes) and secondly to the increase in the profit margins of commercial firms.

The consumer needs and the consuming standards by the time have created various categories of commercial shops offering a wide range of services to the consumer and intensifying the competition. For example discount shops constitute a strong competitive factor for the supermarkets and the department stores. The variety of shops is continuously increasing with specialized shops of hygienic nutrition, organic products etc. Every year the modern retailers in Europe add a big number of new products, offering even products that used to be sold in the past, exclusively to higher income consumers. A very important development is the establishment and fast growth of malls, which constitute a strong competitive factor for the already existing shops, especially the smaller ones that were the main forms of commercial firm in the near past. Besides, the competition becomes more intensive due to the spread of e-commerce.

The big commercial firms have been developing more products of wide consumption with their own brand name or other special names. These private label products are produced and packaged mainly by small and medium sized firms as it is analyzed in the following table 1.

Table 1: Breakdown of suppliers of private label products to the big supermarkets of EU-27

Domestic small and medium-sized firms	69%
Foreign small and medium- sized firms	19%
Domestic big firms	6,5%
Foreign big firms	5,5%

Source: *Eurocommerce, 2008*

The private label products are offered by the supermarkets and the department stores at interesting combinations of quality and price. These products are preferred by the consumers against the more well known

products which are sold at higher prices. In this way commerce supports the small firms which constitute the backbone of the European Economy. As the EU sets strict standard specifications in the production of private label products, the suppliers from developing countries are encouraged to improve their production process in order to place their products in the big foreign markets.

The big retail shops in the developed economies tend to organize themselves their supply chains in order to achieve optimum combinations of cost and quality of their products. The case of Wal-Mart in the USA is an example of a fully automated organizational structure of the supply chain (Friedman, 2007).

2. Forms of commercial firms in Greece

After the important changes that took place in the field of commerce, the main forms of retailers in Greece are the following, as they appear in Table 2.

Table 2: Breakdown of retail sales in Greece

Supermarkets	40%
Department stores	4%
Smaller shops selling foods, beverages and tobacco	6%
Pharmacies and cosmetics	11%
Smaller shops selling clothes and shoes	9%
Shops selling furniture, electrical appliances and household equipment	12%
Books, stationery, gifts	8%
Sales outside shops	1%
Other forms of retail sales	9%
<i>TOTAL</i>	<i>100%</i>

Source: *ICAP*

The first supermarkets appeared about 40 years ago. In the last few years there has been a spectacular increase in the relative investments with the entrance of big foreign supermarket chains. These investments focused on the development of shop networks throughout the country, leading to the increase of market share and concentration in the food market. According to ICAP, the four biggest supermarkets had a 66% market share by the end of 2008, compared with 51,4% in 2000. Greek consumers shop more frequently in the big supermarkets for a series of reasons (big variety of goods in the same place, free parking, special offers in low prices, payment by credit cards etc.).

The development of big supermarkets in the periphery of the country contributes to the flourishing of local suppliers and the weakening of the

negotiating power of the bigger suppliers. There is an increasing trend for private label products, with a 7,3% of the total sales of supermarkets in 2008 compared with a 5,6% in 2006. On the other hand, the increasing preference of consumers for the bigger supermarkets leads to pressures exercised upon the smaller shops and many of them cannot afford to survive.

The department stores are preferred by the consumers for similar reasons.

The smaller shops selling food, beverages and tobacco follow a diminishing course. Only those offering handmade and traditional products of high quality for demanding consumers are increasing. Pharmacies are one of the close professions in Greece, functioning with limited working hours and a profit margin of 35% predetermined by the Government. The smaller shops selling clothes and shoes are struggling to survive under the pressure of department stores and the big supermarkets. In the case of the shops selling furniture, electrical appliances and household equipment, the main characteristic is the entrance of big chains of internationalized commercial firms, resulting in increased concentration. The Greek manufacturing companies of the field responded by unifying their forces and proceeding to their own big commercial shops.

Sales outside shops include sales organized at local level (eg. flea markets) and e-commerce . The very low figure shows the very slow acceptance of e-commerce by the Greek people. The delay is attributed to:

1. The bureaucracy required by the Greek legislation from the domestic e-commerce companies in order to protect the consumer.
2. The low percentage of access of Greek households to the Internet (in 2008, only 31% of households had access to the Internet, compared with 60% in EU-27).
3. The considerable percentage of Greek households that does not trust the safety of Internet transactions

3. The entry of big foreign commercial firms in Greece

After Greece's admission in the Eurozone, the installation and development of big international commercial chains and shopping centers was accelerated. That was encouraged by the high marginal propensity to consume of the Greek households, due to the high rate of growth for the Greek economy (average rate of growth 3,83% in the period 1995-2008). Besides, the installation of international commercial chains in Greece is used as a starting point for their further expansion to the neighboring markets.

The following table indicates the magnitude of the foreign commercial firms' presence in the Greek market.

Table 3

	Number of firms		Sales (in billions €)	
	2007	2002	2007	2002
<i>Domestic Firms</i>				
Wholesale	466	354	9,3	5,5
Retail	127	100	5,4	1,6
<i>TOTAL</i>	<i>593</i>	<i>454</i>	<i>14,7</i>	<i>7,1</i>
<i>Foreign Firms</i>				
Wholesale	532	460	15,2	9,5
Retail	76	60	6,6	2,8
<i>TOTAL</i>	<i>608</i>	<i>520</i>	<i>21,8</i>	<i>12,3</i>
<i>GRAND TOTAL</i>				
	<i>1201</i>	<i>974</i>	<i>36,5</i>	<i>19,4</i>

Source: ICAP

From the figures of Table 3 we can realize the considerable market share obtained by the foreign commercial firms. In the same time, the number of shopping centers reached 15 in 2008 but there were only 45 square meters per 1000 inhabitants, compared with 200 square meters per 1000 inhabitants in the EU-27. So, there is still much room for the growth of shopping centers in Greece.

4. Summary

Commerce in Greece is a very important business activity, contributing to the growth of the economy and the employment. In the last few years, it has changed dramatically through the increased presence of big international supermarkets and department stores. These developments contributed to the increased average size of the domestic commercial firms and consequently to the increased productivity through the high investments in new technologies and modern methods of trade and distribution networks. The shift towards bigger firms results in the reduction of the cost of distribution and consequently in reduced prices.

On the other hand, the fierce competition leads many small and medium-sized commercial firms out of the market. The social implications of these developments should be handled by the Government with the suitable social policy. The high potentials for development of other sectors of the economy (tourism, agriculture, manufacturing etc) constitute potentials for further growth of commerce in Greece. In general, commerce in Greece faces challenges in the frame of globalization, increasing competition and the changes in the preferences of consumers.

Bibliography

1. Bank of Greece (2008) “*Monthly Statistical Bulletin*”
2. Chardouvelis G. (2009) “Sti Varyhimonia tis Yfesis”, *TASEIS*, Annual Edition, pp. 90-97
3. Eurocommerce (2008) “*Commerce in Europe: Citizens’ best deal*”, October
4. Friedman T. (2007) “*The World is Flat*”, Farrar-Strauss-Giroux publ.
5. ICAP (2010) “*Study on Retail Trade: Supermarkets*”
6. Karagiannis A. (2004) “Economic policy and entrepreneurship in the Greek economy”, *Proceedings of the 8th International Conference of Economic Society of Thessaloniki (Thessaloniki, Greece)*, pp. 163-180
7. Mavrides D. (1999) “*Dioikisi Emporikon Epihiriseon: Hondriko & Lianiko Emporio*”, Adelfoi Kyriakidi publ.
8. Petrakis P. (1996) “*Entrepreneurship and Growth*”, Papazisis publ., Athens
9. Tshipouri E. (2009) “Apeleftherontas tin Anaptyksi”, *TASEIS*, Annual Edition, pp. 128 -134

Contact

prof. Pantelis Kyrmizoglou, MA, MBA, PhD.
A.T.E.I. of Thessaloniki
Department of Accounting
GREECE
E-mail: pkirmiz@acc.teithe.gr

Factors Affecting the Development of Region

Michaela Lichtigová

University of Prešov in Prešov, Faculty of Management

Abstract

The purpose of this papers based on accessible documentations is to realize the analysis of entrepreneur's surroundings to find out how certain factors have influence on development of Prešov self-governing region. The other thing is to evaluate the situation in Slovakia regions, based on selected statistic indicators and to compare economical efficiency of Slovak regions. In my article I am also dealing with business background within Prešov self-governing region; economic power itself and entrepreneurial subjects which make their business activity in this region as well I indicate on barriers, which are prevented in development of small and central business in region.

Key words

region, regional development, business/enterprise, small and central business, economical efficiency of region.

Introduction

The competitive environment is constantly developing. The regions should still take care to more efficient use of the factors that encourage the development of the region. The region must first be familiar with its reserves to be successful in the competitive struggle. There is a change in living standards, the way and the quality of life of people among the regions of Slovakia. What is more noticeable between eastern and western regions in Slovakia? Regional disparities are still deepening.

Slovakia's economy is directly linked with the development of small and medium enterprises (SMEs), which are a key pillar of any developed economy. The strategy of supporting SMEs in the regions of Slovakia is based on the knowledge of state of these enterprises, the business environment in our country and the elimination of existing barriers.

Material and Method

Background data were taken from the questionnaire survey, websites of Statistical Office of Slovak republic, technical books and scientific collections. There were used various scientific methods of research such as a comparative method, method of analysis and synthesis when writing the

article. Standard mathematical and statistical relationships and numeric calculations were used for the evaluation process. Research was conducted in January - February 2009. Selected research group consisted of entrepreneurs. PSK was an examining environment of research. Field research was conducted through questionnaires directly in the PSK and was attended by 175 people. We determined the influence of selected factors on the development of the region in the PSK by questionnaire method. The research instrument consists of a series of questions of different character. In our case, the questionnaire included 30 questions focusing on the business environment.

Achieved Results and Discussion

The concept of region has unique and not unambiguous content. It can describe three very different types of spatial units, namely:

- subnational area,
- supranational area,
- transnational area.

This concept and its use also made problems to experts of the Council of Europe in the development of “European Charter of Regional Planning”. They recommended the notion region to apply to all territorial units of the countries situated between the city and the national economy. According to Cihelková (2002), the region is based on regionalism, which is a territorial unit with the specific economic, social, cultural and political features. Division of the state into the regions, which is suitable for a specific task such as management support of the economy, may be due to other tasks e.g. determination of the demanding potential for specific product - unsuitable. The definition of the region should, therefore, always correspond to the context; it should be derived from the specific wording of question (Maier, Tödtling, 1998, p. 32). The economic concept of region is based on the knowledge of several scientific disciplines, including the others than the economic ones. The basic point of departure for the economic concept of region is a geographical region. This is because the right geographic and natural boundaries determined the way of meeting the spatial units by specific productive, non-productive, educational and cultural aspects of life. Problem of the region is directly linked to its sources, growth and development.

The concept of development itself is vague and therefore it should have the content meaning appointed to the specific value positions. The concept of development is used in different contexts; it is ambiguous, difficult-defined, sharply and ideologically contradictory. Several authors agree with the view that in the concept of development resounds too much, so it could name

anything specific. The concept of development belongs to the conglomerate concepts (Samson et al., 2001).

Differences between regions, which affect regional development, are caused by several factors. *We can consider the following factors as the main causes affecting the differential regional development according to Tvrdoň et al. (2005):*

- natural (primary) potential of the region,
- territorial-administrative division of the country,
- residential hierarchy,
- attractiveness of location of the region,
- demographic structure and its particularities,
- transport infrastructure
- historical aspect,
- unfavourable economic specialization of regions and
- institutional factors, which lie in the quality of human's potential and application of regional policy.

Main factors, which affect the size of regional disparities, are the following:

- ✓ developing potential directly in the region (localization of poles of development and factors of development),
- ✓ historic and geographic dimension of regional policy (the character of economic reforms, economic character of regions, transformation, the degree of urbanization, geomorphological conditions),
- ✓ high-quality transport, environmental and social infrastructure. (Tvrdoň et al. 2005)

The most important factors that may lead to economic development of the region are:

- ▶ demographic trends,
- ▶ innovations,
- ▶ clusters,
- ▶ policy and its quality,
- ▶ location, geographical,
- ▶ cultural, historical conditions,
- ▶ the number and structure of enterprises and their mutual relations,
- ▶ the industrial structure in the region,
- ▶ education and universities,
- ▶ foreign investments.

We can state from the analysis of the current state of the regions (2008) of Slovakia on the basis of selected statistical indicators the following:

- ❖ The best position among the regions of Slovakia has Bratislava region; it is given by the activity of foreign trade, high performance of formation of

pensions' processes, the highest volume of wages, high flexibility of supply and demand, and high level of socio-technical infrastructure.

- ❖ Trnava region is the third most powerful one in terms of economic performance. Deteriorating pension situation of the population is reflected in the declining purchasing power.
- ❖ Trenčín region is located on the fifth place in terms of economic performance. The industrial production is the focus of business.
- ❖ Nitra region is the least powerful in commerce, services and industrial production.
- ❖ In Žilina region, there is a significant decline in purchasing power; it belongs to regions with the least economic performance.
- ❖ Banská Bystrica region in terms of foreign trade is the fourth most powerful region.
- ❖ Prešov region is the region with the lowest economic performance; it has the weakest pension situation of the population, which is also reflected in the business world. In terms of making sales in Slovakia's economy,
- ❖ Košice region belongs to the second one in the order of business, services and industrial production.

Table 1: Selected indicators of the Slovak republic in the years 2007-2008

Name of the region	Area of the region in km2	Area of the region in %	Number of population to 01.01. 2008	Share of GDP in % 2007	Unemployment rate 2008	Net cash income in EUR 2008	Net cash costs in EUR 2008
Bratislava region	2 053	4,2	610 850	26,7	3,6	465,57	416,82
Trnava region	4 147	8,5	557 151	12,5	6,2	367,58	318,65
Trenčín region	4 502	9,1	599 831	10,3	4,7	338,55	317,28
Nitra region	6 343	12,9	706 158	11	8,8	349,13	336,02
Žilina region	6 808	13,9	695 698	10,8	7,7	336,53	335,44
Banská bystrica region	9 455	19,3	654 668	8,9	18,2	331,48	318,73
Prešov region	8 974	18,3	801 939	8,1	13,0	309,19	268,33
Košice region	6 752	13,8	774 103	11,7	13,5	340,95	305,26
Σ	49 034	100	5 400 998	100	9,6	352,22	324,69

Source: Statistical Office of Slovak republic, own processing

Conclusions emerging from the questionnaire survey

Lack of information is considered as **the least problematic** from the perspective of business barriers.

The charge and **weak purchasing power** of the population are **the biggest barriers** of business. Along with **bureaucracy and poor transport situation**, they reach weighted averages, which mean that the respondents regard them as high, respectively, very substantial barriers of business. It can be concluded that in eastern Slovakia, there are such companies that are due to their competitiveness comparable with enterprises in other regions of Slovakia.

In the past two years, respondents invested the most funds to innovations of the organization of work, product innovation and investment in production facilities that affect the quality improvement, respectively, production volume. In the Prešov region, there is reported a shift to the modernization of production processes.

In general, respondents believe that **taxes are a major barrier of business** in Slovakia. This is confirmed by comparison of results, where the greater proportion of entrepreneurs said that taxes are a major obstacle for them in the business.

Respondents believe that **the problem is to get skilled and qualified workforce**. In the Prešov region, the problem is that young people leave their homes to work abroad and in other regions.

Almost all respondents agreed that in current legislation in the Slovak Republic they would reduce taxes, reduce levies, ensure better security law, facilitate completion of formalities for the creation of new businesses, and reduce the VAT tax to be paid after the tax year and not in advance.

They have identified the greater competition in the national market and increasing unemployment at the national level as the main disadvantage, which is related to the process of accession to the EU.

Most respondents believe that **making business in another region is easier** because of greater density of companies, greater competitiveness, better infrastructure, greater purchasing power, and lower unemployment.

Respondents agreed that the development of the region is affected by an increase of employment, imports of products that are not increasing production in the region, competitiveness and purchasing power, and the region's economic performance.

Respondents identified the main benefits that might arise from the use of EU funds. They are development of technologies and improvement of international cooperation.

According to respondents of SMEs, better legislation and regulation, taxation and financial issues would be the greatest help. They characterized

Prešov region in terms of economic performance as the region with the weakest economic performance among the other regions of Slovakia, as inflexible region, a region, which is far behind other regions, a region with high unemployment, and low purchasing power.

Support of small and medium enterprises with the regional aspect

The aims of the measure

- ▶ Increase of competitiveness and stability of the SME sector
- ▶ Increase of the number of new manufacturing companies
- ▶ Increase of the export performance of the region
- ▶ Facilitating SME access to funds
- ▶ Strengthening the absorptive capacity of SMEs in relation to the offer of workforces
- ▶ Increase of diversification of the economy of the region
- ▶ Increase of stimulation of the formation of new companies
- ▶ Increase of the number, quality, structure and offer of new jobs
- ▶ Increase of capital power of the sector of small and medium enterprises

Activities fulfilling measure

- ▶ **Facilitating SME access to funds** – a regional fund to promote entrepreneurship and employment – the provision of micro and small loans, loan guarantees, guarantees for the lease of technologies, seed capital, venture capital, advisory services to financial management and access to funds.
- ▶ **Support for SME cooperation** – support of cooperation between SMEs and large enterprises in the region, support of the creation of chains and networks of SMEs, support of cooperation between Slovak and foreign companies.
- ▶ **Enlarging the offer of spaces for business** – business incubators and business centres, renovation and reconstruction of spaces and buildings suitable for business.
- ▶ **Functional system of consultancy and computing for entrepreneurs** – to establish information and consultation centres for entrepreneurs.

Summary

SMEs are a key pillar of the Slovak economy, which was the focus of my thesis. The entrepreneurs see the greatest importance of SMEs in the PSK in job offer opportunities and employment, although eastern Slovakia has the highest

unemployment rate. In the PSK, there is a lack of competitiveness of the region, companies and their products. This does not create sources of sustainable growth based on the use of creativity, education and skills of the workforce. The reason for this situation is the lack of conditions, which it is possible to build a knowledge-based economy on. Low effectiveness and efficiency of instruments of economic and regional policy is more substantial cause. From the perspective of the SME sector, I have noticed improvement of its parameters, some stabilization in the main observed indicators such as employment, creation of added value and profitability. Growth of SMEs has dynamically continued. It is necessary to focus and promote the development of factors that can lead to economic development of the region such as innovation, clusters, policy and its quality, localization, cultural, geographical and historical conditions, the number and the structure of enterprises and their mutual relations, industrial structure in the region, education and universities and foreign investments.

Despite the positive trends in the development of SME sector, there are still quite a lot of factors affecting the business, which should be focused on. In particular, it is a complicated and frequently changing legislation, administrative demands of business, high wedge and weak law enforcement.

Bibliography

1. CIHELKOVÁ, E. a kolektív. Světová ekonomika: regióny a integrace. Praha. Grada Publishing. 2002. 244 s. ISBN 80-247-0193-6.
2. IVANIČKOVÁ, A. Regionalizácia a priestorová organizácia regionálneho rozvoja. Bratislava: Ekonóm, 1998, 256 s. ISBN 80-225-0937-X.
3. KÁRÁSZ, P. a kolektív. Možnosti vývoja regiónov Slovenska. Bratislava. Friedrich Ebert. Stiftung. 1999. 120 s. ISBN 80-967745-6-5.
4. MAIER, G., TÖDTLING, F. Regionálna a urbanistická ekonómia: Regionálny rozvoj a regionálna politika. Bratislava. Elita. 1998. 265 s. ISBN 80-8044-049-2.
5. MATLOVIČ, R., MATLOVIČOVÁ K. Vývoj regionálnych disparít na Slovensku a problémy regionálneho rozvoja Prešovského kraja, [cit.20.11.2009] Dostupné na: <http://www.fhvp.unipo.sk/~matlovicova/Region%C3%A1lne%20disparity.pdf>
6. SAMSON, S. a kolektív. Regionálna ekonomika. 2001. 232 s.
7. SLOBODA, D. Slovensko a regionálne rozdiely. Teórie, indikátory, metódy. Konzervatívny inštitút M.R.Štefánika, Bratislava 2006. Štúdia [cit.21.11.2009] dostupná na: [www.konzervativizmus.sk/ upload pdf/Slovensko_a_regionalne_rozdiely.pdf](http://www.konzervativizmus.sk/upload/pdf/Slovensko_a_regionalne_rozdiely.pdf)
8. ŠTEFKO, R. Znalostné determinanty regionálneho rozvoja: súbor vedeckých štúdií projektu VEGA č. 1/4638/07 a centra excelentnosti výskum kognícií. Prešov. Fakulta manažmentu. 2007. 172 s. ISBN 978-80-8068-695-6.
9. TEJ, J. Región a správa. Prešov: PU v Prešove – FHPV, 2002. 182 s. ISBN 80-9068-139-2

10. TEJ, J. Vývoj názorov na regionálny rozvoj v teóriách 20. Storočia. In: Ročenka katedry dejín FHPV PU 2003. Prešov. Universum, Prešov. 2003. 151 s. ISBN 80-89046-17-7
11. TVRDONĽ, J, KMECOVÁ, Z,. Implikácia – regionálne disparity vs. absorpčná schopnosť. In: Zborník vedeckých prác National and Regional Economics VI CONFERENCE PROCEEDINGS. 2005. Bratislava, s. 429-433. ISBN 80-8073-721-5
12. ŠTATISTICKÝ BULLETIN - 2006; 2007, 2008 Zdroj: Štatistický úrad Slovenskej republiky Krajská správa v Prešove
13. ŠTATISTICKÝ ÚRAD SR, dostupné na <http://portal.statistics.sk/showdoc.do?docid=4>

Contact

PhDr. Michaela Lichtigová
Fakulta Manažmentu PU,
Konštantínová 16, 080 01 Prešov
E-mail: michaela233@post.sk

Local Governments Own Investment Potential in the European Union Countries

Ewa Markowska-Bzducha

School of Economy, Tourism and Social Sciences in Kielce

Abstract

The aim of this paper is to analyse the changes of the local governments own investment potential in the European Union countries, during the period of 2005-2008. The research was based on the data from Eurostat. The researched categories of the local government finance were presented per capita, in order to assure their comparability.

The analysis indicates the increase of the investment potential in the examined period. However, this increase appeared in the first years of examined period. In the last year 2008 the growth rate of the local government revenues decreased and the growth rate of their current expenditures increased in the most countries of the European Union. As a result the local governments own investment potential was reduced.

Key words

Governments, European Union, government, finance

Introduction

In research undertaking the problems of finance and economy of the local government's units one of the basic problems, with significant meaning for the local and regional development, is the potential of local governments in the field of the investment activity. The revenues of local government's units, which the growth increases also potential resources on the investment aims, as well as the costs of the current tasks' realizations and the accessibility of external sources of the financing are main factors, which decide sizes of problem mentioned above.

In the literature of the subject, for quantifying of investment possibilities of the local government, a definition "the investment potential" is applied (Kaczor, Tomalak, 2000; Lubińska, Będzieszak 2005). The potential is the supply of possibilities, the power, the output lying in something and the efficiency, of the country in any field of activity, e.g.: economic, military (Sobol et al., 1995). Resource from the local government's budget, which can be allocated to investment tasks – the revenues diminished by currant expenditures and expenditures to the indebtedness' service (capital instalments and interests) then,

so disposable funds are the investment potential of the local government's unit. This is the own potential, which increased by the budgetary surplus from last years, incomes from the privatization of the unit's fortune and possible obligations to the incurrence in studied period of time, compounds the total investment potential of the local government's unit (Kaczor, Tomalak, 2000). The level of commitments is determined by the statutory limits, the creditworthiness of the given local government's unit and its inclination to debiting. The more careful units in this range therefore will have the less investment potential.

In a long period, the own potential of local government's units forejudges about the investment potential of its units. That is because the range of the use from returnable sources of the financing is limited. Therefore, the growth of the own potential, created by the growth of the revenues or the reduction of current expenditures is a chance on the increase of investment potential. The own potential is defined by a long-term measure of the ability of investment units of the local government, while the investment potential is the short term measure (Kaczor, Tomalak, 2000).

Considering that, the local government is perceived as the most important subject forming and influencing on the socio-economical space in the local and regional scale (Korenik, Korenik, 2007; Brol et al., 1998; Dziurbejko, 2006; Kotliński, 2006), while municipal investments as „flywheel” of economies in conditions of crisis (Owsiak, 2009; Kotliński 2009). The aim of this paper is to analyze the changes of the local governments' own investment potential in European Union countries, during the period of 2005-2008. In order to realize such conceptualized aim, in the following parts of the study, the analysis of basic changes for evaluation of the own investment potential of the category of the financial economy of the researched local governments – the total revenues, current expenditures and disposable funds were analyzed. With the intention of the assurance of the comparability of the data, were presented in the term per capita (the table 1-3). As the base of considerations were used the information from Eurostat.

Local governments' revenues

In the table 1 there is presented the level and the dynamics of total revenues researched local governments during a period of 2005-2008.

The analysis of the contained data shows, that in researched years, in every 27 countries there came the growth of the revenues of local government's units per capita. Totally the local governments' revenues of 27 EU countries grew in each year and finally within studied four years increased by about 14%. The essential part of this growth happened in 2006 and 2007. In 2008 mentioned above

revenues increased by only 1% in comparison to the previous year, however it should be remembered, that it was the first year of the crisis.

The most dynamic growth of the local governments' revenues, in the studied period, was noted down in new countries –members- of European Union – above 100% in the case of Romania and Latvia, above 50% in the case of Bulgaria, Lithuania, Estonia and Poland, about 40% in the case of Czech Republic, about 35% in Slovakia. In every studied year, mentioned countries were characterized by the high dynamics of the growth of the local governments' revenues.

The least growth of mentioned above revenues within researched four years - below 10% - took place in United Kingdom (about 2%), on Cyprus (about 5%) and in Sweden (about 9%). Cyprus was, in 2006, one of two countries in which little fall of analyzed revenues came, in comparison to the previous year. The second one was Hungary. In 2007 little fall of the local governments' revenues happened only in Denmark, while in 2008 in Spain and United Kingdom. Revenues of British local governments fell in comparison to the level from the year 2007 by about 9%. In 2008 in case of 14 countries the growth rate of the local government's revenues was lower than in two previous years.

Table 1. Revenues of the Union local governments during the period of 2005-2008 (per capita in €)

Year Country	2005 (€)	2006		2007			2008		
		(€)	2005 =100 (%)	(€)	2006 =100 (%)	2005 =100 (%)	(€)	2007 =100 (%)	2005 =100 (%)
EU-27	2500	2648	106	2809	106	112	2842	101	114
Austria	2293	2362	103	2472	105	108	2596	105	113
Belgium	1947	2005	103	2097	105	108	2166	103	111
Bulgaria	175	230	131	269	117	153	323	120	184
Cyprus	382	372	97	384	103	100	400	104	105
Czech Rep.	1153	1290	112	1435	111	124	1617	113	140
Denmark	12712	13485	106	13383	99	105	14068	105	111
Estonia	757	909	120	1081	119	143	1246	115	165
Finland	5701	6088	107	6494	107	114	6939	107	122
France	2937	3083	105	3220	104	110	3306	103	113
Germany	1966	2075	106	2208	106	112	2272	103	116
Greece	444	491	110	522	106	117	578	111	130
Holland	4913	5036	102	5317	106	108	5555	104	113
Hungary	1091	1084	99	1164	107	107	1218	105	112

Ireland	2537	2828	111	3003	106	118	3151	105	124
Italy	3578	3664	102	3953	108	110	4007	101	112
Latvia	526	711	135	931	131	177	1091	117	207
Lithuania	493	573	116	678	118	138	875	129	178
Luxembourg	3270	3575	109	3864	108	118	4131	107	126
Malta	77	78	102	79	101	103	79	100	102
Poland	837	958	114	1093	114	131	1327	121	158
Portugal	842	888	105	925	104	110	952	103	113
Romania	260	378	145	541	143	208	567	105	218
Slovakia	481	518	108	608	118	127	647	106	135
Slovenia	1234	1335	108	1421	106	115	1553	109	126
Spain	1247	1403	112	1478	105	119	1436	97	115
Sweden	8193	8549	104	8952	105	109	8951	100	109
U. Kingdom	3823	4101	107	4300	105	112	3893	91	102

Source: The own studies on the basis of the information from Eurostat

Analyzing the data contained in the table 1 the differentiation of the level of the local government's revenues per capita also arrests attention returns. In each year, the highest revenues had local governments of Denmark, and the lowest Malta. Within studied four years, there took place the increase of the spread between these magnitudes. In 2006 the local government's revenues per one inhabitant of Denmark amounted the 165 - times of analogous on Malta, and in 2008 the 178 - times.

The local governments' current expenditures

In the table 2 there is presented the level and the dynamics of the current expenditures of Union local governments. Like in the case of the revenues also here the growth took place, in which 26 countries participated. The exception was made by United Kingdom where the essential fall of the local government's expenditures in 2008, caused that they reached the level from 2005.

Table 2. Current expenditures* of Union local governments during the period of 2005-2008 (per capita in €)

<div>Year</div> <div>Country</div>	2005 (€)	2006		2007			2008		
		(€)	2005 =100 (%)	(€)	2006 =100 (%)	2005 =100 (%)	(€)	2007 =100 (%)	2005 =100 (%)
EU-27	2229	2344	105	2444	104	110	2504	102	112
Austria	2098	2167	103	2280	105	109	2406	106	115
Belgium	1761	1809	103	1867	103	106	1938	104	110
Bulgaria	155	179	116	201	112	130	249	124	160
Cyprus	264	267	101	276	103	105	285	103	108
Czech Rep.	933	1058	113	1101	104	118	1288	117	138
Denmark	12376	13108	106	13006	99	105	13708	105	111
Estonia	676	746	110	885	119	131	1067	121	158
Finland	5392	5659	105	5995	106	111	6395	107	119
France	2362	2475	105	2629	106	111	2732	104	116
Germany	1762	1818	103	1867	103	106	1939	104	110
Greece	360	385	107	398	103	111	439	110	122
Holland	4276	4320	101	4596	106	107	4847	105	113
Hungary	984	975	99	1015	104	103	1073	106	109
Ireland	1413	1566	111	1689	108	120	1768	105	125
Italy	3322	3507	106	3458	99	104	3624	105	109
Latvia	473	637	135	733	115	155	908	124	192
Lithuania	449	514	115	559	109	125	706	126	157
Luxembourg	2332	2458	105	2563	104	110	2849	111	122
Malta	57	58	100	59	103	103	61	104	107
Poland	712	793	111	886	112	125	1094	123	154
Portugal	602	659	110	708	107	118	733	104	122
Romania	225	303	134	398	131	177	466	117	207
Slovakia	392	440	112	507	115	129	522	103	133
Slovenia	1011	1073	106	1136	106	112	1261	111	125
Spain	1032	1116	108	1233	110	120	1297	105	126
Sweden	7493	7892	105	8230	104	110	8251	100	110
U. Kingdom	3600	3769	105	3983	106	111	3598	90	100

* these expenditures were counted as the difference between total expenditures and capital expenditures, therefore, they contain also expenditures on the debt servicing;

Source: The own studies on the basis of the information from Eurostat

Totally local government's expenditures of EU countries -27 grew in each year and finally, within researched four years grew up increased by about 12%, that is a little below the level of rate of the revenues' increase in total (the table 1). This means that the current activity did not consume all the increase of the local government's revenues. This profitable regularity concerned 17 countries in the studied period. In 2006 and 2007 it appeared in 14 countries. In 2008, as a result of decreases of the dynamics of the revenues in many countries and increase of the dynamics of current expenditures. During the whole studied period, the discussed relation formed the most profitably in case of Bulgaria, Lithuania, Latvia and Romania, and the most unprofitably in case of Spain, Portugal and Malta. The foregoing found a reflection in the dynamics of disposable funds.

Like in case of the Union local governments' revenues per capita, also in magnitudes presented in the table 2 of current expenditures, there is the considerable differentiation. Even if extreme magnitudes for Denmark and Malta were thrown away, rejected, anyway the highest current expenditures of Swedish local governments would be higher from the lowest concerning the local governments of Bulgaria - in 2006, 48 times, in 2007 41 times and in 2008 33 times. In this case, the spread among discussed magnitudes decreased as a result of the dynamic growth of Bulgarian local governments' current expenditures, in the researched period.

Local governments own investment potential

In the table 3 is presented the data concerning of disposable funds in budgets of Union local governments, during the period of 2005-2008. These resources are, not consumed by the current activity (taking into account debt servicing), the part of the total revenues. Their level informs, not only about investment possibilities of local government's units, but also about the ability to the contraction and the debt servicing, then to the financing of investment outlays both from internal funds and returnable sources of the financing (Szołno-Koguc, 2006).

The analysis of the contained in the table 3 data shows, that in the researched period in the most of countries appeared the growth of investment possibilities of local governments. The highest - above 200% - took place in case of Lithuania, Bulgaria and Latvia. About above 190% increased disposable funds in budgets of Romanian local governments, about 120% in budgets of local governments of Estonia. In remaining countries this growth was lower and amounted from 86% in Poland to 7% in Denmark. In Sweden and France the discussed indicator remained firm on the unchanged level in

the studied period. In case of five countries the level of free resources in local governments' fell down – the greatest in Spain about 35%, in Portugal about 9%, on Cyprus about 3% and in Austria about 2%.

Table 3. Disposable funds in budgets of Union local governments during the period of 2005-2008 (per capita in €)

Year Country	2005 (€)	2006		2007			2008		
		(€)	2005 =100 (%)	(€)	2006 =100 (%)	2005 =100 (%)	(€)	2007 =100 (%)	2005 =100 (%)
EU-27	271	304	112	365	120	135	337	92	124
Austria	195	195	100	192	98	98	190	99	98
Belgium	186	196	105	230	117	123	228	99	122
Bulgaria	20	51	252	67	132	334	74	110	366
Cyprus	118	105	89	108	103	91	115	107	97
Czech Rep.	221	233	105	333	143	151	330	99	149
Denmark	335	377	112	377	100	113	360	95	107
Estonia	81	163	201	196	120	242	177	91	220
Finland	308	429	139	499	116	162	544	109	176
France	575	608	106	591	97	103	574	97	100
Germany	203	257	126	341	133	168	333	98	164
Greece	85	106	125	124	117	146	139	112	164
Holland	637	716	112	721	101	113	708	98	111
Hungary	106	109	103	149	137	140	145	97	136
Ireland	1124	1262	112	1314	104	117	1383	105	123
Italy	256	157	61	495	315	193	383	77	150
Latvia	54	74	137	198	268	367	183	92	340
Lithuania	44	58	132	118	203	268	170	143	385
Luxembourg	937	1117	119	1301	116	139	1282	99	137
Malta	20	21	106	20	96	102	17	87	88
Poland	125	165	132	206	125	164	233	113	186
Portugal	240	227	95	217	95	90	218	101	91
Romania	35	75	216	143	190	411	101	71	292
Slovakia	89	78	88	101	130	114	125	124	141
Slovenia	223	262	117	285	109	128	292	102	131
Spain	215	287	133	245	86	114	139	57	65
Sweden	700	657	94	721	110	103	699	97	100
U. Kingdom	224	332	148	318	96	142	295	93	132

Source: The own studies on the basis of the information from Eurostat.

In case of the most of countries (16) a best year in respect of the dynamics of disposable funds was 2006 , for 9 countries 2007 , and only for two - Cyprus and Portugal – 2008. In 2006, the level's fall of disposable funds with relation to the previous year took place in 5 countries, the deepest in Italy about 39%. In 2007 the analogous fall was a participation of local governments of 6 countries. The deepest (about 14%) concerned Spain. In 2008 , as a result of disadvantageous changes in the dynamics of revenues and current expenditures, took place the level's fall of disposable funds in local governments' budgets of 17 countries, the deepest again in Spain - about 43%. For 18 countries the year 2008 was the worst one during the studied period taking into account the dynamics of disposable funds.

Like in case of the revenues and current expenditures in the table 3, the essential differentiation of the level of free resources per capita in budgets of local governments of studied countries arrests attention. In 2005 they were contained in the range from 1 124 € in Ireland to 20 € in Bulgaria and on Malta. In following years invariably the highest indicator belonged to Ireland, and the lowest to Malta and they amounted properly: in 2006 1 262 € and 21 €, in 2007 1 314 € and 20 € and in 2008 1 383 € and 17 €. As you can see, the spread between them was rising. In the first studied year disposable funds in local governments' budgets of Ireland amounted 56 fold factor of their equivalent in budgets of Maltese local governments, and in the last year 81 fold factor. In each year of studied period, with the biggest level of discussed resources were distinguished following countries: Ireland, Luxemburg, Sweden, Holland and France, while with the lowest: Malta, Bulgaria, Romania, Slovakia, Lithuania, Latvia, Cyprus, Hungary and Greece.

The exceptionally high level of the own investment potential of Irish and Luxembourgian local governments is connected with the kind of their activity. They have the limited field of authority and their efforts concentrate on the financing of the infrastructure and devices of the public utility. Similarly, in case of Cyprus, Portugal, Malta and Greece. Local governments' authorities in Ireland, which take executive positions in rankings of EU countries, put together in regards to the level of local governments' investments (Markowska-Bzducha, 2006), are responsible for the realization of domestic investment programmes on their own ground, especially in the area of the infrastructure of transport and the housing. These are commissioned tasks, on which they receive resources from the central rung (Sub-national government..., 2008).

The foregoing found the reflection in the level of the relation of disposable funds to local governments' revenues - the table 4. This relation is applied to evaluate of the investment potential of local government's units. It informs

which part of the revenues can be allocated by the unit to the service of the indebtedness and the developmental activity. The higher is the level of the discussed relation the better situation is (Szołno-Koguc, 2006).

Table 4. Local governments own investment potential as percentage of local governments revenues during the period of 2005-2008 (%)

Country \ Year	2005	2006	2007	2008
EU-27	11	11	13	12
Austria	9	8	8	7
Belgium	10	10	11	11
Bulgaria	11	22	25	23
Cyprus	31	28	28	29
Czech Republic	19	18	23	20
Denmark	3	3	3	3
Estonia	11	18	18	14
Finland	5	7	8	8
France	20	20	18	17
Germany	10	12	15	15
Greece	19	22	24	24
Holland	13	14	14	13
Hungary	10	10	13	12
Ireland	44	45	44	44
Italy	7	4	13	10
Latvia	10	10	21	17
Lithuania	9	10	17	19
Luxemburg	29	31	34	31
Malta	26	27	25	22
Poland	15	17	19	18
Portugal	29	26	23	23
Romania	13	20	26	18
Slovakia	19	15	17	19
Slovenia	18	20	20	19
Spain	17	20	17	10
Sweden	9	8	8	8
United Kingdom	6	8	7	8

Source: The own studies on the basis of the data contained in the table 1 and 3.

The analysis of the presented, in the table 4, data, shows that in countries, in which the local government has wide competences, most of the revenues is absorbed by the operating-activity. In each year of the studied period current expenditures consumed above 90% of the local government's revenues in case of: Denmark, Finland, Sweden, United Kingdom and Austria, above 80% of the revenues absorbed, in the most of studied years, the local governments' current activity: Belgium, Estonia, France, Spain, Holland, Lithuania, Latvia, Germany, Poland, Slovakia, Slovenia, Hungary and Italy. Disposable funds made the least percentage of the local government's revenues in Denmark, the country with the biggest level of the decentralization of public finance and the widest range of authority of local governments (Markowska-Bzducha, 2009).

Analysing changes in the level of the relation of disposable funds to the revenues of Union local governments, it can be noticed, that in the most of countries the growth of the discussed relation with relation to the previous year took place in the second and third year of the studied period, however in the last year the fall took place, the greatest in case of Romania and Spain. The best year for studied local governments, in regards to the percentage of revenues which they could intend on investments, was the year 2007.

Summary

The carried out analysis of basic for evaluation of the own investment potential of the category of the financial activity of the local government's units in 27 European Union countries during the period of 2005-2008, permits to state, that during studied four years, in the most of countries the growth of investment possibilities of studied units, indeed took place, however it had a place in first years of studied period. In the most of researched countries, the decrease of the growth rate of local government's revenues and the enlargement of the growth rate of current expenditures took place in 2008 which was a simultaneously the first year of the economic crisis. As a result, in 17 from 27 studied countries in 2008, in comparison to the previous year, took place the fall of the own investment potential of local governments, expressed by the level of disposable funds in their budgets.

The statistical data put together in tables 1-3 shows also the essential differentiation of basic categories of the financial activity of the studied local governments of 27 in the seizure per capita. It is mainly the result of the degree of the decentralization of tasks and public finance in individual countries and resulting from this the position of local governments, the kind of credited to them tasks and resources on their realization (Markowska-Bzducha, 2009).

On the differentiation of the level of analyzed indicators the essential influence has also a level GDP per capita in individual countries (Markowska-Bzducha, 2006). Comparatively low in new countries –members- of European Union, in spite of the dynamic growth of discussed indicators and the considerable degree of the decentralization of public finance in these countries, was effective with the low value of indicators per capita.

Bibliography

1. Dziurbejko T., Planowanie rozwoju gminy jako instrument pozyskiwania funduszy pomocowych Unii Europejskiej, Difin, Warszawa 2006.
2. Kaczor T., Tomalak M., *Potencjał inwestycyjny jednostek samorządu terytorialnego*, Instytut Badań nad Gospodarką Rynkową, Warszawa 2000.
3. Korenik D., Korenik S., *Stosunki samorządowo-Bankowe, a rozwój społeczno-ekonomiczny w przestrzeni*, Wydawnictwa Fachowe CEDEWU, Warszawa 2007.
4. Kotliński W., Kryzys gospodarczy a rozwój turystyki w Polsce, w: Funkcjonowanie euroregionów w warunkach gospodarki transformowanej, Materiały Międzynarodowej Konferencji Naukowej Czerniowce 2009, s. 187-190.
5. Kotliński W., Znaczenie programów pomocowych Unii Europejskiej dla rozwoju małej i średniej przedsiębiorczości w województwie podkarpackim, Zeszyty Naukowe Lwowskiej Akademii Komercyjnej, Nr 20, Lwów 2006, s. 592-599.
6. Lubińska T., Będzieszak M., *Własny potencjał inwestycyjny jako miara pozycji wydatkowej gmin*, [w:] *Budżet państwa i samorządów, decentralizacja – oświata*, red. T. Lubińska, Difin, Warszawa 2005.
7. Markowska-Bzducha E., *Decentralizacja – instrument racjonalizacji finansów sektora publicznego*, [w:] *Problemy ekonomii, polityki ekonomicznej i finansów publicznych*, red. J. Sokołowski, Prace Naukowe Uniwersytetu Ekonomicznego we Wrocławiu Nr 39, Wydawnictwo Uniwersytetu Ekonomicznego we Wrocławiu, Wrocław 2009, tom II, s. 183-190.
8. Markowska-Bzducha E., *Wydatki samorządów terytorialnych w krajach Unii Europejskiej*, [w:] *Gospodarka lokalna i regionalna w teorii i praktyce*, red. D. Strahl, Prace Naukowe Akademii Ekonomicznej im. O. Langego we Wrocławiu Nr 1124, Wydawnictwo Akademii Ekonomicznej im. O. Langego we Wrocławiu, Wrocław 2006.
9. *Metody oceny rozwoju regionalnego*, red. D. Strahl, Wydawnictwo Akademii Ekonomicznej im. O. Langego we Wrocławiu, Wrocław 2006.
10. *Słownik Wyrazów Obcych*, red. E. Sobol, wyd. 1, Wydawnictwo Naukowe PWN, Warszawa 1995.
11. *Sub-national government in the European Union. Organisation, responsibilities and finance*, Dexia Editions, France 2008.
12. Szolno-Koguc J., *Wybrane wskaźniki kondycji finansowej jednostek samorządu terytorialnego*, [w:] *Samorząd terytorialny w zintegrowanej Europie*, red. B.

Filipiak, A. Szewczuk, Zeszyty Naukowe Uniwersytetu Szczecińskiego Nr 426, Wydawnictwo Naukowe Uniwersytetu Szczecińskiego, Szczecin 2006, t. II.

13. *Zarządzanie rozwojem lokalnym – studium przypadków*, red. R. Bról, Wydawnictwo Akademii Ekonomicznej im. O. Langego we Wrocławiu, Wrocław 1998.

Contact

Ewa Markowska-Bzducha, dr

School of Economy, Tourism and Social Sciences in Kielce, Poland

501564791

E-mail: ewabz@poczta.onet.pl

Evaluation of the Euro Trust

Daniela Mat'ovčíková

Vysoká škola manažmentu, City University of Seattle

Abstract

The study introduces the particular description of euro-zone confidence and sentiment indicators that can forecast the direction of the euro-zone economy. It focuses on business climate and economic indicators such as industrial, service, consumer, construction and retail trade confidence indicators. At the same time the attention will be placed on Greece and negative effects of its recent behavior on the euro strength will be discussed.

Key words

Business climate indicators, confidence, construction production, economic sentiment indicators, euro, EUR/USD exchange rate, Greece, gross fixed capital formation, industrial production, private final consumption expenditure, retail trade deflated turnovers.

Introduction

Trust represents a personality variable. It depends on one's specific experience and is influenced by attitudes, values and beliefs. Confidence is a prerequisite for reliability, stability and development of micro and macro social relationships in general. Confidence in currency leads to an increase of the demand for it, to its appreciation and has further positive effect on strengthening its role on the international market in the role of a mean of payment, a store of value and an unit of account.

As the euro is considered to be a supra-national currency that was originally formed as a basket of currencies it misses some of the political and cultural factors that promote trust in single nations. This is the primary reason why confidence in the euro must be built.

The process of getting used to new currency could further speed up boosting confidence in this new currency and improve the strength of the money. The importance of having strong money is more than clear. It confers political and economic advantages on the issuing country or group of countries, in addition it is positive for the country's residents, businesses and government.

There are two main groups of confidence and sentiment indicators – the Business Climate Indicator (the BCI) and the Economic Sentiment Indicators (the

ESI). The first group promotes augmentation of investment, production, consumption and economic growth. The Economic Sentiment Indicator is a composite indicator made up of five sectoral confidence indicators with different weights: Industrial confidence indicator (40%), Services confidence indicator (30%), Consumer confidence indicator (20%), Construction confidence indicator (5%) and Retail trade confidence indicator (5%) (FX words). Confidence indicators are arithmetic means of seasonally adjusted balances of answers to a selection of questions closely related to the reference variable they are supposed to track, such as industrial production for the industrial confidence indicator. The ESI is calculated as an index with mean value of 100 and standard deviation of 10 over a fixed standardized sample period. Currently, mean and variance are fixed over the period 1990-2007 (ecPulse.com).

When expectations are redeeming, both indicators ascend in a linear direction. This trend has been behaving in the opposite direction, as seen later.

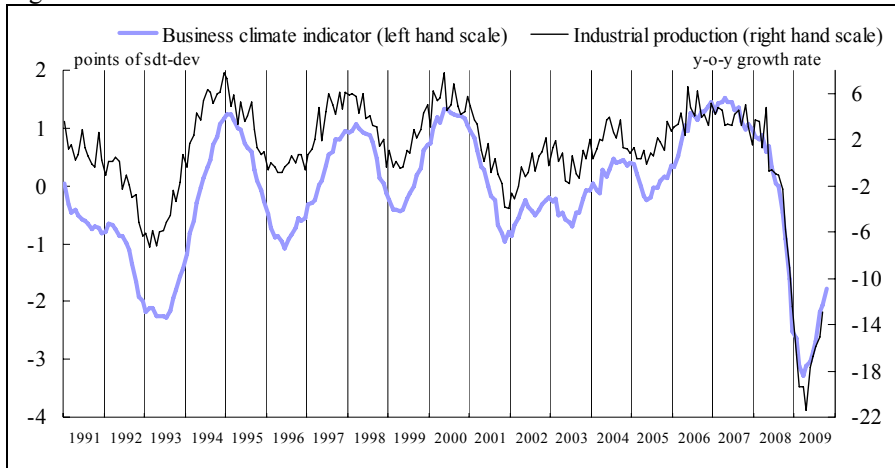
Aim and methodology

The paramount aim of this paper is to evaluate the standing of the euro through the basic observed indicators - the Business Climate Indicator (the BCI) and the Economic Sentiment Indicators (the ESI). Apart from a general explanation the article focuses on industrial, constructional and retail production, moreover evaluates private final consumption and the gross fixed capital formation. All data has been collected from Eurostat statistics and the relations are explained and evaluated with a help of figures.

Results

The BCI for the euro area has been improving from the beginning of 2009 as it can be seen in Figure 1. The state of this indicator was positive at the end of 1994, 1997 and 2006, in the middle of 2000 and fell through in the following year. Nevertheless, it remains at a decelerated level at present, suggesting that year-on-year growth in industrial production was still negative in October 2009. The rise in the BCI is due to a broad-based improvement in sentiment among managers. The majority of companies report higher production expectations. A better outlook for export and overall order books also helped. Managers' assessment of the production trend observed in recent months improved as well. Finally, stocks of finished goods continued to decline. The level of stocks now stands just below its long-term average (November 2009: Business Climate Indicator continues to recover.)

Fig. 1: Business Climate Indicator – 1991-2009.



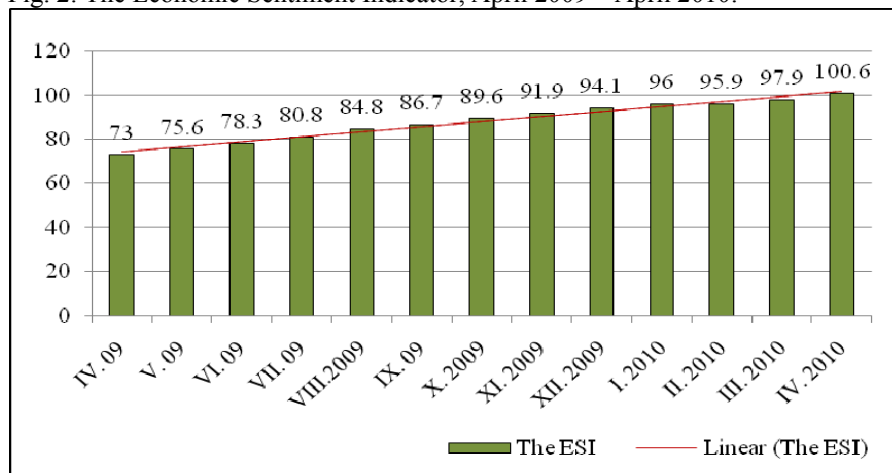
Source:

<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/1829&format=HTML&aged=0&language=EN&guiLanguage=en>

As it is visible in Figure 2, the average ESI for the euro zone rose from 95.9 in February 2010 to 100.6 in April 2010. The change was more positive than expected especially after January 2010 when this indicator was higher than in the following February. Negative result could have been caused by the situation in Greece where the ESI is clearly under average, moving from 76.1 in January 2010 through 72.4 till only 69.1 in April 2010. It represents the most negative value out of all the European Union members. On contrary this predictor of the future development is the strongest in Scandinavian countries - Denmark (113.1), Sweden (111.1) and Finland (105.9), following with Belgium (104.9), Germany (104.7), the UK (101.7) and Poland (101.4) (Eurostat).

Private final consumption expenditure consists of expenditure incurred by residents on goods or services that are used for the direct satisfaction of individual needs or wants or the collective needs of members of the community, it takes place on the domestic territory or abroad and includes households' and Non Profit Institutions Serving Households final consumption expenditure. Data are calculated as chain-linked volumes. This indicator has been falling in the euro area from the beginning of 2007 (1.6%) and reached negative number at the end of 2008 (-1.0%). While the trough was reached in the first quarter 2009 (-1.7%), the private consumption was on its increase and the end of 2009 represented only -0.1%. This is seen as positive. In Greece, on the other hand, consumption fell sharply and stopped at -1.7% at the end of 2009.

Fig. 2: The Economic Sentiment Indicator, April 2009 – April 2010.



Source: Data collected from

<http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=0&language=en&pcode=teibs010&tableSelection=1>, own figure

Gross fixed capital formation also known as Investments, is made of resident producers' acquisitions, less disposals, of fixed assets during a given period plus certain additions to the value of non-produced assets. These assets acquired are intended for use in processes of production. The second quarter of 2009 recorded in the euro area the deepest decrease of - 12.8%; on the other hand the end of 2009 was less gloomy with -8.2%. Again, the gloomy situation in Greece caused -16.9% fall.

Industrial production shows the output and activity of the industry sector. It measures changes in the volume of output on a monthly basis. Data are compiled according to the Statistical classification of economic activities in the European Community. The statistics prove that this index has been improving dramatically from minus 21% drop in the first quarter of 2009 to positive 4% at the beginning of 2010, yet Greeks got to -10.37%.

Construction production discloses the output and activity of the construction sector. It measures changes in the volume of output on a monthly basis. Construction includes building construction and civil engineering. This indicator is negative with a drop of almost 15%; its future pick up could help to increase the main ESI indicator. The data for Greece were not collected.

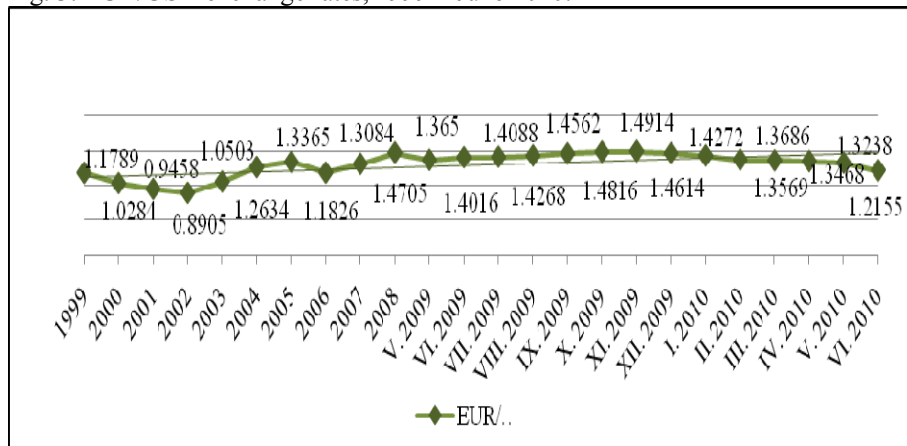
Retail trade deflated turnovers manifests the monthly activity in volume of the retail trade sector. It is a short-term indicator for final domestic demand. It is calculated either as turnover at current prices deflated by the deflator of

sales, or as a quantity index derived directly from the quantity of goods sold. The deflator of sales in retail trade is a deflator of the goods sold and not of the service provided. Data are compiled according to the Statistical classification of economic activities in the European Community. Again, this indicator has been falling from the beginning of 2009 (-1.5%) with only slight improvement at the end of 2009 (0.23%). The start of 2010 is pessimistic with -1.05% (European Commission). Again, the data for Greece were not available.

The above mentioned negative data are influenced at a great extent by the situation in one of the eurozone member, Greece. According to Hospodarske noviny, the budget deficit in this country achieved 13.6% of GDP and overall public debt went over 115% of GDP. Long-term lending rates for Greece went over 7% in April 2010. While at the beginning help was offered, it was supposed to be a rather step that was expected to raise the confidence on the capital markets and allow Greece to borrow without needing any additional help of the eurozone partners. It did not help; 30 billions of euros shall come from the other eurozone members and additional 15 billions from the International Monetary Fund. Although the euro zone deal would ease short-term worries about Athens' ability to service its debt, it left longer-term concerns about Greek public finances (Hill, J.).

All above mentioned negative effects of Greece behavior were reflected on the strength of the euro.

Fig. 3: EUR/USD exchange rates, 1999 – June 2010.



Source: Data collected from

<http://www.ecb.int/stats/exchange/eurofxref/html/index.en.html>,

own

figure

As it can be seen in Figure 3, the euro has depreciated against the US dollar by almost 23% between November 2009 and June 2010. While it has a positive effect on exporters, the negative effect on domestic market prevails.

Summary

It is obvious that the current crisis in Greece cannot be solved domestically. The changes in laws, cuts in government spending, and other changes Greece promised to do were only made to be granted the international help. Greece has run out of funds now and it will take time to get out of these troubles. There are also concerns whether European countries that are driving European economy won't suffer along with Greece in the future. The markets are still shocked by the recent events to give some measurable outcomes. The future of Greece and euro will be mainly affected by the markets acceptance. It will be highly dependant on future yields on Greece bonds and exchange rate of the euro.

As follows from the previous facts, inevitable measure must be implemented in order to solve two latest problems – to save Greece and make sure the history will not repeat itself and by doing so to help to scale up the confidence in the euro. This role should be taken on by the central bank of the eurozone, the European Central Bank (the ECB). Its president Jean-Claude Trichet is in the awkward position of trying to convince investors that despite the debt concerns, the euro itself is solid and worthy of consideration as a safe investment.

Bibliography

1. ecPulse.com. Economic confidence. Retrieved April 26, 2010, from <http://www.ecpulse.com/en/education/fundamentalanalysis/>
2. European Commission. Selected Principal European Economic Indicators. Retrieved April 26, 2010, from <http://epp.eurostat.ec.europa.eu/portal/page/portal/euroindicators/peeis>
3. Eurostat. Economic sentiment indicators. Retrieved April 27, 2010, from <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=0&language=en&pcode=teibs010&tableSelection=1>
4. FX words. Confidence and sentiment indicators. Retrieved April 26, 2010, from <http://www.fxwords.com/c/confidence-and-sentiment-indicators-euro-zone.html>
5. Hill, J. *Euro confidence rises, but Greek loan continues to cause concern*. Retrieved April 28, 2010, from <http://business.scotsman.com/economics/Euro-confidence-rises-but-Greek.6221081.jp>
6. Hospodárske noviny. *Grécke štatistiky stále nie sú spoľahlivé. [Greece statistics are not reliable]*. 23.-25. April 2010, page 4.

7. November 2009: Business Climate Indicator continues to recover. Retrieved April 26, 2010, from <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/09/1829&format=HTML&aged=0&language=EN&guiLanguage=en>

Contact

Ing. Daniela Maťovčíková
VŠM/ City University of Seattle
Bezručova 64
911 01 Trenčín
E-mail: dmatovcikova@vsm.sk

World Crisis and Its Influence in State's Economy

Peter Mrázik

College in Sládkovičovo

Abstract

The word crisis has become very frequently used within the last 3 years. Be it economical crisis, business, financial, global, mortgage or other type of crisis - due to the overlapping of current world economies and financial capital in nowadays-global world, the crisis has had impact on all activities of people of all the continents maybe besides Antarctica. Our economics vocabulary has suddenly changed. Terms such as toxic assets, derivatives, mortgage market, sub prime, credit default swaps and others are frequently used in media while trying to expose the reasons, continuance and the consequences of present crisis.

Key words

Crisis, economy, GNP.

Three years ago, the very same media praised free market without economic interventions and regulations by government; they talked up about its supporters Alan Greenspan - the headmaster of FRS, Gordon Brown - British minister of Finance and others. These media now supply us with mostly negative information in economy spreading uncertainty, fear and worries from losing a job amongst common people. To be exact, this is an economical problem, which has its beginning, continuance, consequences, and finally there should be the solution to this problem. We will try to describe each phase of it and to point to the consequences of the crisis on the economics of Slovakia. You may or may not agree with our conclusions we can discuss this issue. However, in conclusion we think that our point of view is objective and can be generally accepted.

Beginnings

Everything started in 1997 when Alan Greenspan was nominated for the post of the chairman of the Board of governors of Federal reserve system by president Reagan to replace Paul Volcker. Senate approved president's nomination in August 1987. He was a skilful and experienced economist who worked for influential people from political and economical sphere. He was

conservative and was a strong supporter of monetarism. The fact that Greenspan performed in the post of chairman during the times of republicans Reagan, Bush and also democrat Clinton proves that he was really skilful and experienced. In 1999, Greenspan together with Larry Summers and Bob Rubin recommended Congress to cancel Glass -Steagall code that separated banks into commercial and investment banks in 1933. Wall Street has longed for this to happen until 1999 since they wanted to open big financial markets, which could use commercial investments for bets in this financial casino. (Robert Reich: Greenspan, Summers, and Why the Economy Is So Out of Whack, (<http://www.huffingtonpost.com/>). During Greenspan times, economies suffered a few little crises. The big one started in 2001. In 2001, planes hijacked by terrorists crashed the WTC. As a result of this attacks financial market, stock-exchange market and other markets got literally frozen for 6 days because nobody knew what was going to happen. Alan Greenspan and FRS tried to prevent the collapse of American and global economy by lowering the interest rate to 1%. They let the financial institutes to run freely in a way that they did not regulate them in their suicidal activities. This step helped to start the frozen markets. However on the other hand lowering the interest rate to 1 percent, which lasted until 2004, had fatal consequences. Taking loans has become very easy and cheap, banks profits from offering loans rapidly decreased. Therefore, the managers of financial institutes started to look for other financially more attractive ways, which would bring more money. This resulted in rapidly increasing prices of some commodities such as oil, natural gas, steel and others.

Mortgage market was another area of obtaining money easily. American dream - own house for people with lower incomes so-called sub prime clients (term used to identify risky loan, mortgage loan or investment) became reality. Banks and institutes offering mortgage loans such as Ameriquest Mortgage Company had incredible profit (in 2003 sub prime mortgage loans reached 360 billion USD , in 2004 it was 587 billion USD). At that time, nobody cared how people would pay for the loans in two years time when the low interest rate rapidly increased.

It is ironical that communist China played big role in current crisis. The country economics has been one of the fastest developing economics (10% increase in GNP a year was not unusual) and the country needed to invest the dollars they earned by selling cheap goods to developed countries including the USA. De facto a Chinese with an average annual income of 2 000 USD borrowed to an American with an average annual income of 40 000 USD since the Chinese did not have possibilities to spend their hard earned money

and therefore they kept it saved in Chinese banks. These banks extended credits to American banks at a very low interest rate. This was another source of "cheap money".

American banks started to make business with these sub prime mortgage loans all over the world. To decrease the risks to the lowest level they started to use different methods especially credit default swaps (credit default - creditor offering the loan bears the risk in case the debtor delays the payments or cannot pay back the loan (Jana Mikóczyová: Swapy kreditného zlyhania a ich využitie pri riadení kreditného rizika) and securitisation (transfer of money/cash and capital amongst the financial market institutions is done via securities, it is transformation of standard loans into securities done to increase the mobility. <http://www.financnik.sk>). Simply said they joined the sub prime mortgage loans and yield assets and sold them among themselves in order to obtain the highest profit. This type of business increased at crazy pace. It can be best shown at the numbers of credit default swaps which increased from 918,9 billion USD in 2001 to 62,2 trillion USD in 2007.

Continuance

This is a well-known story - bankruptcy of the Lehman Brothers bank in September 2008. What has caused this bank to go bankrupt? To be objective we must confess that this bank was not the only black sheep in the bank system and taking into account the way how the other banks ask their governments for support it is clear that almost all of the more influential banks on both coasts of the Atlantic proceeded incorrectly. The truth is that financial leverage (average overall assets and own capital) was highest in this bank at the time of bankruptcy, it was 1 : 40 which means 1 dollar of own capital to 40 dollars of lent dollars. Other banks, for example, Citi Group, JPMorgan had the financial leverage at the rate of 1:20, which made the proceedings to protect them from going bankrupt much easier. By the way, it would not cost too much to prevent Lehman Brothers from going bankrupt. 40 billion USD would have saved the bank. The crisis would not have started. This solution of letting the biggest investment bank in the United States to fall down has been often the subject of discussions. As a consequence of Lehman Brothers going bankrupt there started uncertainty at financial markets, the markets which are necessary for further development of economies suddenly froze. Nobody could tell the number of their toxic assets which banks used in their mutual business activities. Mortgage and financial crisis led to market crisis, which had impact mainly on economies of the USA and EU countries.

Solutions

To bring back bank sector credit governments of all countries touched by the crisis gave billions of dollars to their financial institutions to reduce the losses caused by the crisis. The highest decrease has been in the car and building industries. To protect the employees many European countries implied so-called "scrap" and other job market arrangements. A lot of money was invested in it. These "money injections" from governments helped to start their economies again but this resurrection of economies can be characterized to be still very fragile and labile. Nowadays it is only Chinese market that asks for more goods. Production is not the problem. The problem is to find the consumers and mainly to get the money for the goods.

It is good that governments do activities that control banks more despite the fact that these institutions are strongly against these activities. Only the time will show how effective they are.

Consequences

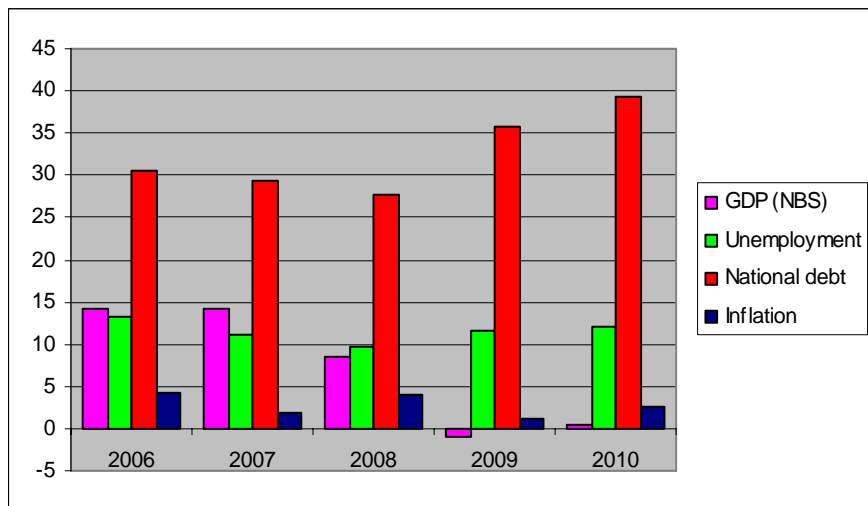
Consequences appear in sequence and they will be more and more unpleasant and have negative influence especially on governments and countries functioning. Governments highly charged public finance in effort to save bank sectors. In most of the countries, the debit in public finance has rapidly increased while GNP has decreased since it is important to saturate the negative effects of the crisis. Some European countries such as Greece, Spain, Portugal and Ireland are very close to going bankrupt. This is not a problem of only the last year policy. The governments of these countries have been running their countries in an escapade way for longer time but in the times of progress, nobody cared. Nowadays remedies will be twice that painful. This is the time of unpopular elisions especially in the social sphere. Will the ordinary people who are not responsible for this crisis accept it? And what if not? It is better not to even think about this possibility.

Moral - does not exist

People call themselves homo sapiens. However, history shows us again and again that people often behave in an irrational and self-destructive way. If we really were rational, there would not be any wars or crises. I hope there will be no more wars but there still will be some crises. They will be probably different from those we have overcome or are overcoming but it is pretty sure that they still will happen. Crises are consequences of people not acting rationally.

Slovakia as one of the countries hit by the crisis

Slovakia is a small open economy strongly oriented into car and electronics industry. These industries plus the building industry has been hit by the crisis the most. It is clear even to an amateur economist that miracles happen only in fairy tales and that we cannot expect balanced budget no matter who is in power. We have had problems with pension reform for many years, nobody is able to define the percentage of the 1st and 2nd pension pillar, they are being constantly changed with every new government. It is important to remind the fact that our economy is a small economy; we do not have many significant companies and cannot influence the global economy much. Therefore, we think that we should pay our attention mainly to the most effective division of sources because it is probably the only way to fight the crisis. As an example, we could use the numbers, charts of how the GNP, unemployment, public debt and inflation developed in years 2006 -2010.



Source: <http://www.euroekonom.sk/>

Despite the fact that the GNP has been increasing (besides the year 2009) we cannot say that the people in country have higher standard of living now than they had before the crisis. It is important to realize that GNP of Slovakia includes all the goods produced in Slovakia; it means it also includes the goods produced by foreign companies running their business in Slovakia. Our opinion and the opinion of many economists is that GNP does not show

our economical status precisely. Unemployment rate is not a precise marker of our economical situation as well. Nowadays unemployment rate is highly alarming and we think that this number is even higher than it is officially stated. There are more and more people in Slovakia whose monthly income does not exceed 500 € which means that they cannot afford goods and services besides their basic needs. Many companies change the position of their employees from regular employees' so-called operators to the position of temporary employees. It is much better for the company if they do not have to pay to their employees in times when they have no orders, they pay their employees only then when the company has orders for its goods. What influence will it have on the tax collection, which is very important for the country budget? One thing is sure. The task of the state budget is to primarily fulfil mandatory issues, there is not much money besides that from EU funds to help developing regions, tourism, to help small and middle businessmen running their businesses in this sphere.

Bibliography

1. <http://www.euroekonom.sk/ekonomika/ekonomika-sr/ekonomika-slovenska-2011/>
2. http://www.financnik.sk/financie.php?did=ekonomicky-slovník-vysvetlenie-pojmu&dict=380&page_slovník=1
3. http://www.huffingtonpost.com/robert-reich/greenspan-summers-and-why_b_524874.html

Contact

Bc. Peter Mrázik

College in Sládkovičovo, Fučíkova 269, 925 21 Sládkovičovo

Faculty of Public Policy and Public Administration

E-mail: mrazikp10@gmail.com

Economic Crisis and Its Influence on Financing of Sport in Slovak Conditions

Milena Pullmannová Švedová – Ivan Uher

University of Prešov in Prešov, Faculty of Management

Abstract

State economy in any country represents compendium of industries and aggregated activities. Social system embraces also physical culture that has five branches, which are interconnected with economic, material, health and law institutional conditions. Sport as one of the above mention components exhibit certain economical characteristics suitable for independent examination of selected economical processes. Our article is focusing on economic crisis and its implication on financing of sport in our society, further looking at structure of sport financing from public and private sources and consequently comparing it to some of the EU norms.

Key words

sport, financing, economic crisis

Introduction

Physical education – physical culture is a part of a public sector, that includes overall sport activities, together with educational system, culture, public health and social services belongs to branch that deals with human being. We can conclude that physical culture embrace in itself sum of activities, norms and values in which physical readiness for number for human activities is carry out. (Sýkora, F.a kol.1995.)

Ministry of Education, Interior and the Ministry of Defense of the Slovak Republic share responsibility for sport financing. Interior ministry supports Centre of State Sports Preparation and Ministry of Defense is responsible for the Army Sport Centre. Graf 1. Literatura

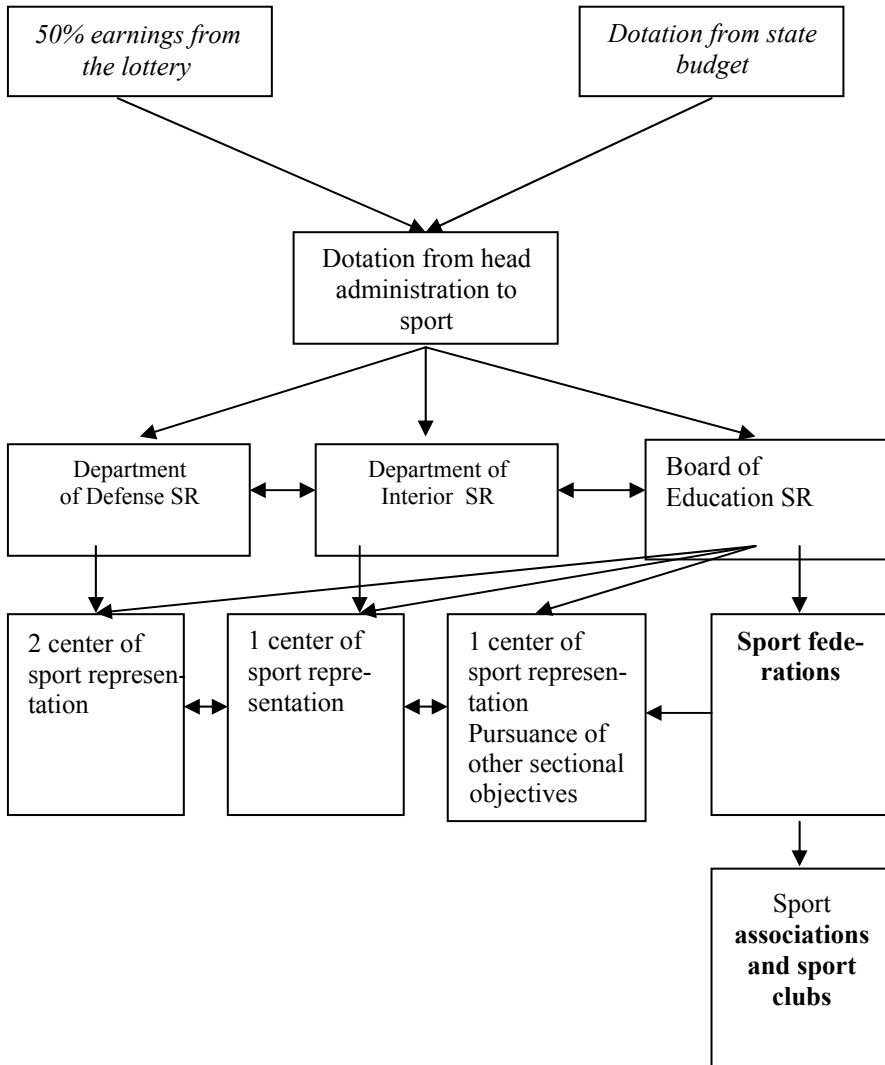
In the field of high-level sport the major funding comes from the state budget. There are five partial programmers' which are given as basic areas for financing: (school and recreational sport, national sport teams and development of sport, talented youth, sport infrastructure development, national sport projects, cross-sectorial activities and support of governmental sport organizations. (Sýkora, F.a kol.1995.)

Sport for all activities is mainly financed directly by citizens, local authorities and municipalities. The Ministry of Education allocates grants for the national sport projects, on the basis of annual calls for projects. Eligible subjects for submitting projects in order to get grants are all sport federations, associations and other national sport bodies. From the exactness of the connection between earning and spending in sport is relatively clearly specified minimal proportion of funds from the lottery and similar games that are getting into the sport indirectly through the separate category of budget.

Sport Legislation

The Slovak sports sector was centralized until 1989, oriented on a unified, nation-wide program of sports. After the political changes in November a process of democratization and decentralization of sports organizations, new policy on physical education and relations concerning non-government sports organizations was regulated by the Act No.173/1990 of The Federal Assembly of Czech and Slovak Federative republic in 1990, which replaced the Act No.68/1956 on Organization Physical education and set up some of other relations with regard to volunteering sports organizations. (Novotný, J. 2000). Today, sport in Slovakia is characterized by the partnership between government and non-government or organizations at all levels. Nation-wide, regional and local levels recognize the transfer of competences to self-governing authorities. The base for this co-operation was laid out in 1990 when the National Council of the Slovak rep. approved the Act on Physical Culture No. 198/1990. This Act defined the responsibilities of sports organizations and state authorities in sport throughout Slovakia. During following years the Act was ratified. Finally in the year 2008 Slovak National Council approved the Act on Organization and Support of Sports No.300/2008. It gives legal shape of state responsibilities for: supporting top-level athletes, taking care of them, supporting school programs also preparing top level athletes for Slovak national teams as well taking measures against doping in sports, setting out status for the Slovak Anti-doping Agency, arbitrating sports disputes, creating and managing information system in public sports sector. In the same year, 2008 Slovak National Council approved also the Act on Organizing public physical events, Sports events and Tourism events, which sets out responsibilities of organizers and stewards of public sports events. It is dealing with appropriate training of stewards providing by accredited education institutions, spectators duties and prohibitions, responsibilities of municipalities and police forces of the Slovak republic.(www.minedu.sk).

Fig. 1 Actual model of sport financing – board of education SR



Source: Ministry of education

In the law of physical culture is missing one important source of financing and that is a public. Public can in fact directly finance:

- passive sport demand (spectators – admission fees, charges for TV sport chaneln etc.),

- aktívny športový dopyt (členské poplatky, vstupné poplatky do zariadení, nákup športového vybavenia atď.).

V sfére športového financovania z verejnosti, koherentné údaje neexistujú. Bez znalosti tohto finančného toku, vrátane aktívnej spotreby športu, je akákoľvek vážna analýza financovania športu prakticky nemožná. Základným je to, že s akoukoľvek pokročilosťou spoločnosti ako celku sa zvyšuje príspevok na trávenie voľného času, vrátane výdavkov na športové aktivity.

Tabuľka 1. (www.finance.gov.sk) ilustruje vládnú výdavkovú politiku na šport a HDP financovanú od roku 1997 do 2008 uvedenú v percentuálnych hodnotách. Predstavená výdavková politika má kolísavý charakter. Najvyššie výdavky predstavuje rok 2003, čo možno vysvetliť politickou pripravenosťou na vstupe Slovenska do EÚ. Tento trend sa udržal až do roku 2007, keď na šport bolo pumpovaných viac ako miliarda korún ročne, čo predstavuje približne 33 mil. €/rok. Následná ekonomická kríza v rokoch 2008-2009 mala negatívny vplyv na vládnú výdavkovú politiku, pretože výdavky sa nezvyšovali.

Table 1 Government budget spending for sport in Slovakia

	1997	1998	1999	2000	2001	2002
In millions. Sk	1 174	805	992	965	975	1 121
Allocation from total Govern. Budg. spending	0,54%	0,41%	0,51%	0,48%	0,46%	0,41%
% from GDP	0,17%	0,11%	0,12%	0,11%	0,099%	0,10%
In millions. €	38,97 €	26,72 €	32,93 €	32,03 €	32,36 €	37,21 €
	2003	2004	2005	2006	2007	2008
In millions. Sk	1209	1003	1156	1026	1026	989
Allocation from total Govern. Budg. spending	0,56%	0,51%	0,55%	0,57%	0,57%	0,48%
% from GDP	0,10%	0,11%	0,14%	0,12%	0,12%	0,10%
In millions. €	40,13 €	33,29 €	38,37 €	34,06 €	34,06 €	32,82 €

Source: Ministry of finance Slovak rep. (2003, 2009)

Current physical culture act of parliament define some of the main sources of financing:

- means from government budget at least 0,5% of year amount or means of govern. budget vested by private bill regarding state support of sport,
- earnings from lotteries and games alike (minimum 50% from the gain),
- means from citizenship associations, that are carry out in physical culture,
- gains from advertisements,
- means from donations,
- means from loans from corporate bodys,
- means from municipalities and communities.

Current simplified model of financial flow and dotation of the government to sport Graf 1. imitates proposition from the past system of financing, where the half of the yield earnings came from lottery and state budget that are consequently distributed to the appropriate departments.

Recently National program of sport development analyzed negative trend and critical situation in material supply, where was concluded that in last 10 years was done to little in a respect of operation improvement, urban – architectonic and technical aspect of sport. Coherent long planning oriented towards meeting requirements for training, competitions for top as well performance athletes, planning for sport for all, school educational programs yet has not been established. When we compare our reality with international norms only few facilities meet international standards. Furbish up was only some facilities as a consequence of hosting some of the top level international sport events. Similar situation predominates in sport for all where availability, variety of sport facilities are very limited in some places even no existing.

Summary

Base on the law of physical culture state realizing financial support through the state budget that are follow by private sources. We should consider public as one of the inseparable sources of sport financing. Unfortunately that is not the case in our country. Donation to sports in contemporary society is quite limited when we compare to economically developed countries. Material supply is globally to low and need to by greatly improved.

Overall continuous underestimation of sports as a whole in our society is not solely results of global economic crises but as well as legislative making. What we suggest is to create new recommendations that will take into

consideration global trends (sport philosophy) from other developed EU countries. Only then we will be in a better position to compare and compete with the rest.

In our article we looked into some of the principles and legislation of sport financing in our country. Reality shows that financial resource invested to sport are largely low, therefore we recommend broader financial involvement for sports from not only top government level but as well as municipal, regional entity. Lastly what we do to day will greatly influence our future in positive as well as negative way, therefore lets do not forget our obligations, responsibility for the generations to come.

Bibliography

1. HÁVRÁNKOVÁ, H.2006, *Ekonomika sportu a možnosti financování v ČR*, Ostrava 2006.
2. NOVOTNÝ, J. 2000, *Ekonomika sportu*, ISV Praha, 2000. ISBN 80-85866-68-4
3. SÝKORA, F. a kol.: *Telesná výchova a šport, Terminologický a výkladový slovník 2. zväzok*, Bratislava, 1995, ISBN 80-85508-26-5.
4. ŠLOSÁR, R. a kol. 2002. *Základy ekonómie a ekonomiky*. Bratislava: SPN, 2001. ISBN 80-08-03199-9.
5. VURCFELDOVÁ, M. 2000. *Sponzoring – moderní nástroj marketingové komunikace*. Praha. 2000.
6. www.minedu.sk
7. www.finance.gov.sk
8. www.economy.gov.sk

Contacts

Mgr. Milena Pullmannová Švedová, PhD.
Faculty of management PU in Presov
Department of tourism and hotel management
080 78 Prešov, Konštantínova 16
E-mail: mpullmann@unipo.sk

PaedDr. Ivan Uher, PhD.
Faculty of management PU in Presov
Department of tourism and hotel management
080 78 Prešov, Konštantínova 16
E-mail: uher@unipo.sk

Business Performance Management of Slovak Companies During the Period of Global Economic Crisis and After the Entry of the Slovak Republic into Eurozone

Rastislav Rajnoha

Department of Business Administration, Technical University in Zvolen

Ján Dobrovič

University of Prešov in Prešov, Faculty of Management

Abstract

On the base of contemporary stage of controlling utilization in business and based on analysis of theoretical and practical approaches we present chosen methods, models and techniques of business controlling. Our primary interest focuses not only on theoretical basis of solution but also on practical application under conditions of Slovak companies, during financial and economic crisis. EVA is both a measure of value and also a measure of performance. The value of a business depends on investor's expectations about the future profits of the enterprise. Stock prices track EVA far more closely than they track earnings per share or return on equity.

Key words

Business Performance, Controlling, Management, Performance measurement, Recesion,

Introduction

Latest quantitative macroeconomic indicators and results of Slovak economy show negative development in more fields (negative economic growth measured by GDP, growth of unemployment, growth of budget deficit and deficit of public finance). But on the other hand we can say that reached results and its decline is comparable with development in V4 countries.

New Euro currency accepted just in the time of world economic crisis can be mentioned as one important feature which highly differs Slovak economy conditions from those in neighbour countries. Many studies and analysis present that Euro acceptance had many positives from the long run period (more foreign investment, currency stability, business area stability, elimination of currency differencies, simplification of trade, decreasing of transaction costs, lower capital costs, higher transparency of prices etc.). As a negative aspect of Euro it was considered the lost of independent monetary

policy of NBS and also higher level of inflation after currency acceptance (temporal effect) and single costs of currency transition.

Contemporary development of Slovak economy under above mentioned non-standard conditions can be characterised that we can see partial and at the same time integrated impact of two decisive important factors:

- world financial and economic crisis,
- new Euro currency acceptance.

New currency accepted just during world crisis causes that many positives and negatives, presented in studies, have not expressed till now or they have different or neutral or contrary impact. As an example we can mention relatively low level of inflation (but it can be transformed into negative deflation) after Euro acceptance because of financial and economic crisis influence. On the other hand we can mention stability of exchange rate which seems to be during these crisis years (currency devaluation in other countries) as a handicap for Slovakia and its chosen branches (retail market, tourism, hotels and restaurants) compared to other V4 countries (Czech republic, Poland, Hungary). When we look at the same problem by the eyes of Slovak consumers, we can see advantages of new currency just now in the times of world economic crisis. There are the following advantages: prices transparency, simplification of tourism and travel, cheaper foreign products and services as it was supposed before conversion into Euro currency. But because of crisis, there are eliminated positive impacts as higher foreign investments and stability of business environment. The same impact (positive or negative) as before Euro acceptance we can specify the following – elimination of currency differences, simplification of trade, decreasing of transaction costs, the lost of independent monetary policy of NBS, single costs of currency transition.

In spite of the above mentioned factors impact we can specify the following decisive negative aspects caused separately by the world financial and economic crisis:

- strong decline of Slovakia export caused mainly by demand crisis in the world markets,
- lower utilization of production capacities within Slovak companies in the chosen branches (automotive industry, engineering, wood processing industry, metallurgy, chemical industry, electrotechnical industry, shoemaking industry etc.)
- lower foreign capital input and lower investment consumption,
- growth of unemployment in the chosen branches, decline of households consumption, total growth of unemployment,
- decline of investment and consumers loans,
- decreasing of tax income for national budget and its higher deficit.

Given negative trend of the chosen Slovak economic indicators further grow worse because of Euro currency just now, during world financial and economic crisis.

As the decisive influence of both impacts it can be specified the following:

- strong decline of Slovak retail market revenues as a result of consumers foreign purchases which was caused by the decline of ability to compete with prices. This was affected by the both impacts:
 - a) new currency acceptance – assessment of the fixed exchange rate SKK/EUR in 30th June 2008 (before new currency introduction). This exchange rate was 15% below the central parity,
 - b) world financial and economic crisis – strong decline of national exchange rates compared to EUR in the neighbour countries: Czech republic – 10%, Hungary – 20%, Poland – 30%
- lower capacity utilization in the chosen branches (retail market, tourism, hotels and restaurants)
- decreasing of budget incomes and its higher deficit because of lower VAT and consumption tax incomes,
- unemployment growth in the chosen branches.

1. Chosen managerial methods and their applications effects during the period of economic crisis in business performance management of companies

Fundamental changes in macro and micro environment impact managing process of companies during last years. These changes have initiated modification of traditional managerial systems, conceptions, methods and tools as well as necessity to generate new untraditional managerial techniques. Therefore, there are applied and designed new progressive approaches in the field of economics and business planning. Our project focuses mainly on the field of measurement and planning new and modern performance indicators, on basic knowledge about the latest approaches and methods how to manage them as for example: business management and planning oriented on processes (Activity Based Management, Activity Based Costing), Balance Scorecard (BSC), Shareholder Value Planning and Benchmarking, system of KPI (Key Performance Indicators), EVA conception (Economic Value Added) and many others. Further research and application of the above mentioned methods under conditions of the period of economic crisis seems to be inevitable condition for their survival and successful progress.

Except of that, during last years of companies' management is impacted by the world financial and economic crisis and by its effects. These above mentioned and many other changes have initiated modification of traditional managerial systems, conceptions, methods and tools for companies managing as well as necessity to generate new untraditional managerial techniques.

Significant Slovak authors of publication “Strategic planning“¹ competently argue about importance and effects of global changes on strategic planning under conditions of world economy globalization. There are also other factors which impact content and methods applied in management of industrial companies, e.g. move from central planning economy to market economy, level of decentralization in companies’ management, latest paradigms in management e.g. integrated management, strategic oriented management, move from functional oriented model to process management, efforts to implement controlling oriented approach and logistics approach into the system of management. And because of that also in the field of economics and business planning there are launched and applied new and more progressive approaches, e.g. in the field of measurement and planning of modern performance indicators. Continuously, there are arising new knowledge about progressive approaches and methods of their optimization, e.g. business management and planning oriented on processes (Activity Based Management), Balance Scorecard methodology, Shareholder Value Planning and Benchmarking, system of KPI (Key Performance Indicators), EVA conception (Economic Value Added) and many others. Further research and application of these above mentioned methods in woodprocessing companies seems to be inevitable condition for companies survival and successful struggle with competition.

Nowadays, it is necessary to create complex integrated model for the most accurate performance measurement. Also it should be searched ways and reserves under given economic conditions by taking into account most effective utilization of production inputs. As it is well known, in the past, the most of methods focused mainly on financial performance of a company which can be evaluated by various methods, criterions and indicators. But companies mostly use only partial approaches of performance evaluation. It misses complex approach which would enable to take into account also many important nonfinancial strategic parameters of the future performance. As the most applied methods can be mentioned the following:

- parallel systems of indicators
- pyramid systems of indicators
- rapid creditworthiness and bankruptcy indicators
- indicators based on the theory of managing the value formation
- approaches based on accounting performances, etc.

Many papers of specialists on national and international conferences confirm that this problem is very topical and actual. International scientific conference titled “New theory of economics and management“ was held in

¹ Collective of authors: Husár, J., Šikula, M., Baláž, P., Slávik, Š., Buček, M.: *Strategic planning*. Bratislava : European educating academy, 2006

Prague, VŠE, Faculty of Business Administration, October 2006. Almost one fourth of all papers focused on actual problems of companies performance and modern methods of its management. Among others we can mention one method – Balance Scorecard. Important papers dealing with this topic presented world reputed American authors: Kaplan, R. S., Norton, D. P.² or German author with Hungarian roots Péter Horváth.³

We can also mention Czech authors: married couple of Neumaier who have proposed financial oriented model of performance measurement and benchmarking INFA for the Czech industrial companies and services. In the future they want to focus on strategic oriented dynamic scorecard (DS INFA) – see Neumaierová, I., Neumaier, I.⁴ As an important contribution to the given topic we can consider also results contained in the work of Czech authors Pavelková, D., Knápková, A.⁵

As the most important effects of the implementation above mentioned methods for the social and economic practice in Slovakia we can consider the following outputs:

- Design of the complex evaluation model for the measurement of companies performance with the sight on particular areas: economic, strategic, area of business processes.
- Design of the complex reporting system for traditional and untraditional indicators of companies performance in areas: financial-economic, investment, strategic and area of business processes.
- Design of the complex managerial methodology focused on increasing of Slovak companies goodwill which is expressed on the base of EVA indicator (Economic Value Added) by the goal-oriented managing of traditional and untraditional indicators for the performance measurement in the following areas: financial-economic, investment, strategic and in the area of business processes.
- Analysis of values reached in Slovak companies during latest years in traditional and untraditional performance indicators for the areas: financial-economic, investment, strategic, business processes.

² Kaplan, R. S., Norton, D. P.: *Balanced Scorecard: strategic system of company's performance measurement*. Praha : Management Press, 2005

³ Horváth & Partners: *Balanced scorecard in the practice*. Praha : Proffess Consulting, 2002

⁴ Neumaierová, I., Neumaier, I.: *From benchmarking diagnostic system of financial indicators INFA to dynamic scorecard INFA*. Proceedings from the international conference "Finance and performance of companies in the science, education and in the practice", Zlín: UTB, Zlín, Czech Republic, 2007, 150 pages, ISBN 978-80-7318-536-7.

⁵ Pavelková, D., Knápková, A.: *Company's performance from the view of financial manager*. Praha : Linde, 2005.

- Benchmarking of values reached in Slovak companies in traditional and untraditional performance indicators for the following areas: financial-economic, investment, strategic, business processes. Classification of companies into particular performance groups from the point of view of reached performance parameters.
- Design of alternative strategies focused on increasing of complex performance by the performance managing within financial-economic, strategic and business processes areas.

By the above mentioned we expect performance increasing of Slovak companies what will expressed in the transformation process, in the growth of value added, in the higher contribution of companies to the Slovak GDP and finally in the improvement of competitiveness in the EU markets.

2. Economic value added as performance measure of companies

In the early 90's, value-based performance measures, such as Economic Value Added have gained immense popularity. Economic Value Added, commonly known by its registered trademark EVA, is already used by more than 250 large companies. The literature reports that more and more large companies are deciding to adopt the EVA performance measure as the guiding principle for their corporate policy. Frequently, EVA is regarded as a single, simple measure that gives a real picture of stockholder wealth creation. The reports claim that implementing an EVA policy triggers a company's stocks to rise and its leading managers to act more like owners. In addition to motivating managers to create shareholder value and being a basis for management compensation, value based performance measurement systems have further practical advantages. An EVA system helps managers to make better investment decisions, identify opportunities for improvement and consider short-term as well as long-term benefits for the company. Furthermore, studies suggest that EVA is an effective measure of the quality of managerial decisions as well as a reliable indicator of a company's value growth in the future. In summary, constant positive EVA values over time will increase company value, while negative EVA implies value depreciation [2].

To instill both the sense of urgency and the long-term perspective of an owner, Stern Stewart designs cash bonus plans that cause managers to think like and act like owners because they are paid like owners. Indeed, basing incentive compensation on improvements in EVA is the source of the greatest power in the EVA system. Under an EVA bonus plan, the only way managers can make more money for themselves is by creating even greater value for shareholders. This makes it possible to have bonus plans with no upside limits. In fact, under EVA the greater the bonus for managers, the happier shareholders will be.

Most managers today have incentive compensation plans that put too much emphasis on compensation and too little on incentive. Bonuses, whether meager or lavish, are earned by beating annually negotiated budgets. Under this system, a manager's greatest incentive is to negotiate an easily achievable budget-and, because the bonus is capped, not to exceed it by too much for fear of raising expectations or damaging his or her credibility. EVA bonus targets, in contrast, are automatically reset each year by formula. If EVA shoots up, for example, next year's bonus will be based on improvement above the new, higher level of EVA. What's more, we recommend "banking" a portion of extraordinary bonuses and paying them out over several years. Bonus banks make it possible to have "negative" bonuses when EVA drops sharply, and insure that bonuses are paid only for sustainable increases in EVA. With an unlimited upside and a bonus that is decoupled from the annual budget, EVA managers are motivated to go for home runs instead of settling for singles, and to make investments with long-run payoffs. The EVA result is annual budgets that are driven by aggressive strategy instead of strategy that is constrained by modest budgets.

EVA is a measurement tool that provides a clear picture of whether a business is creating or destroying shareholder wealth. EVA measures the firm's ability to earn more than the true cost of capital. EVA combines the concept of residual income with the idea that all capital has a cost, which means that it is a measure of the profit that remains after earning a required rate of return on capital. If a firm's earnings exceed the true cost of capital it is creating wealth for its shareholders.

Recognized by economists since the 1770s, residual income is based on the premise that, in order for a firm to create wealth for its owners, it must earn more on its total invested capital than the cost of that capital. Notationally, residual income (RI) for period t is:

$$RI_t = NOPAT_t - WACC_t \times CAPITAL_{t-1}$$

To compute residual income, begin with net operating profits after tax (NOPAT) and subtract the total cost of capital measured as the weighted-average cost of capital (WACC) times the total invested capital (CAPITAL).

NOPAT can be defined as a result of the following formula:

$$NOPAT = EBIT \times (1 - t)$$

where EBIT is Earnings Before Interest and t is tax rate. NOPAT includes both effect reached by using assets of a company and interest paid to creditors.

CAPITAL represents long term invested capital. It is sum of equity and invested capital. The other way of defining capital is to summarize fixed assets and net working capital (net working capital = current assets – short term liabilities). Both approaches offer the same results.

In EVA model Weighted Average Cost of Capital (WACC) is used for calculation of economic value added and as a discount rate transferring future values of EVA to present value to the date of valuation.

$$WACC = rd (1-t) * D/C + re * E/C$$

In this formula:

r_d is the cost of debt

r_e is interest for external capital provided

t is income tax rate

C is value of balance sum

D is debt

E is equity

A basic construction of EVA measure is clear from following formula:

$$EVA_t = NOPAT_t - (WACC_t \times C_t)$$

If $EVA > 0$ than we can say a company is successful. This is the only case wealth of shareholders increases because they gain more than what their original investment was. The service to creditors is included there, too. In case $EVA = 0$ a company produced just as much as it was invested and $EVA < 0$ leads to destroying of wealth of shareholders.

Developed EVA to help managers incorporate two basic principles of finance into their decision making. The first is that the primary financial objective of any company should be to maximize the wealth of its shareholders. The second is that the value of a company depends on the extent to which investors expect future profits to exceed or fall short of the cost of capital. By definition, a sustained increase in EVA will bring an increase in the market value of a company. This approach has proved effective in virtually all types of organizations, from emerging growth companies to turnarounds. This is because the level of EVA isn't what really matters. Current performance already is reflected in share prices. It is the continuous improvement in EVA that brings continuous increases in shareholder wealth.

Finally, to help you consider whether economic profit is an appropriate performance metric for the company you are evaluating, we have discussed the following strengths and weaknesses (tab. 1).

Table 1 Strengths and Weaknesses of EVA [2]

Strengths	Weaknesses
<ul style="list-style-type: none"> • If you had to rely on only one single performance number, economic profit is probably the best because it contains so much information (mathematicians would call it "elegant"): economic profit incorporates balance sheet data into an adjusted income statement metric. • Economic profit works best for companies whose tangible assets (assets on the balance sheet) correlate with the market value of assets - as is often the case with mature industrial companies. 	<ul style="list-style-type: none"> • Although some proponents argue economic profit is "all you need", it is very risky to depend on an single metric. • The companies least suited for economic profit are high-growth, new-economy and high-technology companies, for whom assets are 'off balance sheet' or intangible.

Summary

Fundamental changes in macro and micro environment impact managing process of companies during last years. These changes have initiated modification of traditional managerial systems, conceptions, methods and tools as well as necessity to generate new untraditional managerial techniques. Therefore, there are applied and designed new progressive approaches in the field of economics and business planning. Our project focuses mainly on the field of measurement and planning new and modern performance indicators, on basic knowledge about the latest approaches and methods. EVA is both a measure of value and also a measure of performance. The value of a business depends on investor's expectations about the future profits of the enterprise. Stock prices track EVA far more closely than they track earnings per share or return on equity.

Bibliography

1. CHROMJAKOVÁ, F., RAJNOHA, R.: *Riadenie výkonnosti podnikových procesov minimalizáciou nákladov v procese tvorby hodnoty*. In: Kvalita – Inovácia - Prosperita, Vedecký časopis, Košice : TU v Košiciach, 2/2008, s. 41 – 48, ISSN 1335-1745
2. KADÁROVÁ, J., RAJNOHA, R., DOBROVIČ, J.: *Economic Value Added as performance measure in Slovak manufacturers*. In: Management and Sustainable

- development, Scientific Journal, Sofia : University of Forestry, Bulgaria, Vol. 23, 2/2009, pp. 115 – 120, ISSN 1311-4506
3. MIHOK, J., VIDOVÁ, J.: *Riadenie podniku v kríze*. Košice : Multiprint, 2006, 245 s., ISBN 80-8073-533-6
 4. MIHOK, J., VIDOVÁ, J.: *Vplyv novej ekonomiky na slovenské podniky po vstupe do Európskej únie*. In: Riešenie krízových situácií a občianska bezpečnosť v špecifickom prostredí, Medzinárodná vedecká konferencia, Nitra, 2005, s. 117 – 121, ISBN 80-89162-16-9
 5. RAJNOHA, R.: *Plánovanie, rozpočtovanie a kalkulácie orientované na kontroľ priemyselných podnikov*. Vedecká štúdia, Zvolen : TU vo Zvolene, 2006, 72 s., ISBN 80-228-1550-0
 6. RAŠNER, J., RAJNOHA, R.: *Nástroje riadenia efektívnosti podnikových procesov*. VŠ učebnica, Zvolen : Technická univerzita vo Zvolene, 2007, 286 s. ISBN 978-80-228-1748-6
 7. VIDOVÁ, J.: *Konštrukcia ukazovateľa EVA v slovenskom podniku*. In: Medzinárodná vedecká konferencia „Ekonomika a manažment podnikov“, KPH Drevárska fakulta TU Zvolen, 2004, ISBN 80-228-1386-9, s.117-122.
 8. ZÁMEČNÍK, R., TUČEK, D.: *Řízení a hodnocení výkonnosti podnikových procesů v praxi*. Monografia, Zlín : UTB v Zlíne, Česká republika, 2007, 206 s., ISBN 978-80-228-1796-7

Contacts

Assoc. Prof. - Dr. Ing. Rastislav Rajnoha
Department of Business Administration
Technical University in Zvolen
Masarykova 24, 960 53 Zvolen, Slovak Republic
E-mail: rajnoha@vsld.tuzvo.sk

Dr. Ing. Ján Dobrovič
Department of Management
Faculty of Management, University of Prešov in Prešov
080 01 Prešov, Slovak Republic
E-mail: jandobrovic@stonline.sk

ACKNOWLEDGEMENT

This paper was processed in the frame of the project No. 1/0151/10 as the result of author's research at significant help of VEGA agency, Slovakia.

Some Approaches to Competitiveness Evaluation of Countries

Elena Širá

University of Prešov in Prešov, Faculty of Management

Abstract

This article deals with selected approaches published by World Economic Forum and World Bank to evaluate countries competitiveness. We try to compare variables, number of countries and their placement in the scale, which were used in research made by WE Forum and World Bank. Finally, we have compared the indicators of the Slovak Republic and its ranking to neighbouring countries.

Key words

Competitiveness, World Economic Forum, World Bank. Knowledge Assessment Methodology

Introduction

Competitiveness represents the basic demand for the economy as well as for business in a constantly changing market environment. Generally speaking, this is the country's ability to be successful internationally. Country's competitiveness is a very important factor, as it has an impact on the success of its firms on the international market. Country that wants to be successful long term, should discover, monitor and continuously improve their competitive advantages.

The issue of competitiveness is a very complex area, not strictly defined by immutable factors. Factors and evaluation methodology must be adapted to the examined object, so this issue is complex. Competitiveness is now a very topical issue, because if the country or company wants to succeed in the market, they have to constantly monitor and assess their position compared to their competitors. In this paper we study in detail and compare two different approaches to measuring of competitiveness of the country, i.e. the World Bank and World Economic Forum.

Discussion

World Bank approach

The transition to knowledge economy requires long-term strategies, though countries need to understand their strengths and weaknesses. To facilitate the transition process, the World Bank Institute's Knowledge for Development (K4D) Program has developed the Knowledge Assessment Methodology (KAM).

Knowledge Assessment Methodology is an internet-based tool that provides a basic assessment of countries and regions. It is an interactive diagnostic and benchmarking tool that is designed to help countries understand their strengths and weaknesses by comparing themselves with neighbours, competitors, or other countries based on the four KE pillars. The KAM is therefore useful for identifying problems and opportunities that a country may face. The unique strength of the KAM lies in its cross-sector approach that allows a holistic view of the wide spectrum of factors relevant to the knowledge economy. (Chen – Dahlman, 2005)

The KAM variables represent the overall performance of the economy and the 4 pillars of the Knowledge Economy framework. They are:

- Economic Incentive and Institutional regime,
- The Innovation System,
- Education and Human resources,
- Information and Communication Technology (ICT).

Globally, there are 109 variables divided into 14 standard variables: 2 performance variables and 12 knowledge variables. Every pillar of Knowledge Economy is represented by 3 variables. Variables are normalised from 0 to 10, where 0 is the weakest value and 10 the strongest value. The dataset is divided into 8 functional cuts:

- Overall Performance of the Economy,
- Economic Incentive and Institutional regime divided into:
 - Economic Regime,
 - Governance,
- The Innovation System,
- Education and Human resources divided into:
 - Education,
 - Labour,
 - Gender,

- Information and Communication Technology (ICT). (Knowledge Assessment Methodology, 2010)

According to large number of variables (109), there was made Basic scorecard to simplify work with variables. Basic scorecard consists of these variables:

- Average Annual Gross Domestic Product (GDP) Growth,
- Human Development Index (HDI),
- Tariff & Nontariff Barriers,
- Regulatory Quality,
- Rule of Law,
- Royalty and License Fees, Payments and Receipts,
- Royalty and License Fees, Payments and Receipts Per Million Population,
- Scientific and Technical Journal Articles,
- Scientific and Technical Journal Articles Per Million Population,
- Patent Applications Granted by the USPTO,
- Patent Applications Granted by the USPTO Per Million People,
- Adult Literacy Rate (% age 15 and above),
- Secondary Enrolment (% gross),
- Tertiary Enrolment (% gross),
- Telephones Per 1,000 People,
- Computers Per 1,000 Persons,
- Internet Users Per 1,000 people. (Knowledge Assessment Methodology, 2010)

The sources of the information are World Bank's internal database Development Data Platform (DDP) and original data from countries statistical data. In the year 2009 there were evaluated 146 countries.

The World Bank provides 2 types of indexes. The first is **Knowledge Index** (KI) and the second is **Knowledge Economy Index** (KEI). It is an aggregate index that represents the overall level of development of a country or region in the Knowledge Economy. It summarizes performance over the four KE pillars and is constructed as the simple average of the normalized values of the 12 knowledge indicators of the basic scorecard. (Chen – Dahlman, 2005)

World Economic Forum Approach

WE Forum defines competitiveness as *the set of institutions, policies, and factors that determine the level of productivity of a country*. (WE Forum Yearbook, 2010)

For the past three decades, the World Economic Forum's annual competitiveness reports have examined many factors enabling national economies to achieve sustained economic growth and long-term prosperity. Its goal over the years has been to provide benchmarking tools for business leaders and policymakers to identify obstacles to improve competitiveness, thus stimulating discussion on strategies to overcome them. (WE Forum Yearbook, 2010)

Since 2005, the World Economic Forum has based its competitiveness analysis on the Global Competitiveness Index (GCI), a highly comprehensive index, which captures the microeconomic and macroeconomic foundations of national competitiveness. In the years 2009-2010 there were evaluated 137 countries.

The concept of competitiveness thus involves static and dynamic components: although the productivity of a country clearly determines its ability to sustain its level of income, it is also one of the central determinants of the returns to investment, which is one of the key factors explaining an economy's growth potential.

The 12 pillars of competitiveness are:

- Institutions,
- Infrastructure,
- Macroeconomic Stability
- Health and & Primary education,
- Higher Education and Training,
- Goods market efficiency,
- Labour market efficiency,
- Financial market sophistication,
- Technological readiness,
- Market size,
- Business sophistication,
- Innovation. (WE Forum Yearbook, 2010)

When we compare both approaches and their ranking, we can see that only two countries, Sweden and Denmark are in first five ranks in both comparisons. According to World Bank's methodology KAM, on the first place is Denmark, on the second is Sweden and on the third Finland. All three mentioned countries were allocated on the first three places year before, too. The Slovak Republic was in this ranking on the 36th place and compared to previous year, its new ranking was better by 3 places. The best evaluation was gained from sector of ICT and the worst from Innovation. Our neighbouring countries were allocated in the positions from 27th to 37th places. The better position has Hungary, the worst Poland.

Table 1 Ranking provided by World Bank – KAM

Rank	Change	Country	KEI	KI	Economic incentiver egime	Innova- tion	Educa- tion	ICT
1	2	Denmark	9,52	9,49	9,61	9,49	9,78	9,21
2	-1	Sweden	9,51	9,57	9,33	9,76	9,29	9,66
3	-1	Finland	9,37	9,39	9,31	9,67	9,77	8,73
4	0	Netherlands	9,35	9,39	9,22	9,45	9,21	9,52
5	2	Norway	9,31	9,25	9,47	9,6	9,6	9,1
27	3	Hungary	8	7,88	8,35	8,21	7,73	7,7
28	4	Czech Republic	7,97	7,9	8,17	7,78	8,23	7,7
36	3	Slovak Republic	7,47	7,37	7,78	6,89	7,26	7,95
37	-2	Poland	7,41	7,38	7,48	7,3	8,2	7,9

Source: summary from Word Bank data

According to WE Forum ranking, on the first place is Switzerland, on the second United States and on the third Singapore. In the WE Forum ranking, as we can see in the table 2, the Slovak Republic was on the 47th place, that is about 10 points worst that in KAM ranking. Compared to previous year, its new ranking was worse by 1 place. Our neighbouring countries were allocated in the positions from 31st to 58th places. The better position has Czech Republic, the worst Hungary.

Table 2 Ranking provided by WE Forum – Global Competitiveness Index

	GCI 2009–2010		GCI 2008–2009
Country/Economy	Rank	Score	Rank
Switzerland	1	5,60	2
United States	2	5,59	1
Singapore	3	5,55	5
Sweden	4	5,51	4
Denmark	5	5,46	3
Czech Republic	31	4,67	33
Poland	46	4,33	53
Slovak Republic	47	4,31	46
Hungary	58	4,22	62

Source: summary from WE Forum

Summary

Both approaches evaluate competitiveness from different perspectives and variables and they try to compare as many countries as possible. Both approaches are focused on defining the strengths and weaknesses of competitiveness and thus help the country to advance its position and economy. As a result, the certain country can have different position in their tables.

Bibliography

1. CHEN, D. H. C. – DAHLMAN, C. J. 2005. *The Knowledge Economy, the KAM Methodology and World Bank Operations*. The World Bank, Washington DC. 19. october 2005. [online], [citované 21.10.2009]. Dostupné na: <http://siteresources.worldbank.org/KFDLP/Resources/KAM_Paper_WP.pdf>
2. *Knowledge Assessment Methodology*. [Online], [citované 15.6.2010], <http://siteresources.worldbank.org/KFDLP/Resources/KAM_Paper_WP.pdf>
3. SPIŠIAKOVÁ, M. 2010. *Ekonomické prognózy rozvoja Slovenskej republiky v súvislosti so súčasnou hospodárskou krízou*. In: International Scientific Doctorands and Young Scientists Conference 2010. EDAMBA 2010 – University of Economics in Bratislava. ISBN 978-80-225-2972-3
4. *WE Forum Yearbook 2009-2010*. [Online], [citované 15.6.2010], <<http://www.weforum.org/en/initiatives/gcp/Global%20Competitiveness%20Report/index.htm>>

This article is published as one of the outputs by the grant VEGA 1/0641/10

Contact

Ing. Elena Širá
Faculty of Management, University of Prešov in Prešov
17. Novembra 1
080 01 Prešov
E-mail: sirae@unipo.sk

Analysis of Utilization of Non-Returnable Financial Means from the EU Funds and Their Influence on the Public Sector

Agáta Šoltýsová

University of Prešov in Prešov, Faculty of Management

Abstract

By approving the National Strategic Reference Framework the new opportunities of obtaining financial support have arisen for the Slovak Republic. The aim of these graduation papers is to characterize and analyse the influence of implementation of non-returnable financial support on the public sector. The public sector in Slovakia makes every effort to obtain financial support for its development from various resources. One of the opportunities of the day is also a response to challenges connected with relevant operational programmes. In the analysis of obtaining financial means from the EU Funds we have focused on the overall evaluation of this situation, defined pros and cons of this process and, based on the public sector representatives' statements, we have proposed several solutions that could facilitate and make all the process transparent.

Key words

National Strategic Reference Framework, EU Funds, Operational programme, Non-returnable financial contribution, Public sector

Characteristic of EU funds

One of the fundamental rights of the SR as a new member of the EU is able to draw money from EU funds, which are the principal instrument for implementing European policies of economic and social cohesion. It means they are allocated funds to reduce economic and social disparities between Member States and their regions.

As a major EU funds available:

- Structural Funds:
 - European Regional Development Funds (ERDF)
 - European Social Fund (ESF)
- Cohesion Fund

EU funds, which can Republic as a Member State to draw from the general budget of the EU are important sources of public funds. SR first draw money from EU funds for cohesion (cohesion), the Community Support Framework Document for the years 2004-2006, ie accelerated programming period to the original EU 15 Member States had already begun in 2000. At present - in the second. programming period 2007-2013 the SR to use resources from EU funds throughout its duration, on the basis of the document National Strategic Reference Framework. An amount of EU funds allocated for the period 2007-2013 was approved in the amount of SR 13.5 billion. Euros , almost ten times greater than the amount of funds allocated by the period 2004-2006.

Public finances in relation to the public sector can be defined as public finances in the narrower and wider sense. In the strict sense of the public finances are the budgets of the central (state) budget, local budgets, state budgets earmarked funds. All of these government used to finance the public sector and produce their own budgets. In a broader sense of public finance and public sector includes state enterprises and organizations, as well as state banks and state insurance. Related to the budget system of government budgets and is associated with so-called common budget. It is a multi-national budget, resulting in the European Union. Is of great importance in the ingretion processes and consists of contributions from EU member countries and i sused mainly for financing the common tasks and coordinate the integration of the EU members.

Public funds under the financial rules of public administration are defined in Law No. 502/2001 Z.z. financial control and internal audit, as amended as all the funds they manage public entities with public funds and resources are the European Union.

Analysis of the drawdown of funds from non-repayable EU funds

The main objectives of EU cohesion policy aims to contribute to the development of lagging regions, the restructuring of declining industrial areas that support the revitalization of depressed urban neighborhoods, with emphasis on job creation and increased employment. The main strategic documents for the programming of the use of EU funds from 2007 - 2013 is the National Strategic Reference Framework (NSRF), which set national priorities, funded by the Structural and Cohesion Funds for the programming period 2007-2013, following the Community strategic guidelines, which define the framework for the Funds at the European level. Priorities of the NSRF will be implemented through 11 operational programs for the various objectives of cohesion policy. The total approved commitment for funding by

the EU Structural and Cohesion Funds for 2007-2013 in the amount of 11,366,620 thousand. Euros were spent on 31/12/2009 519 757 thousand. EUR, i.e. 4.59%.

Absorption of Structural Funds and Cohesion Fund programming period 2007 – 2013 from the EU on 31.12.2009 by operational programs , and the amounts to be taken up by the end of 2010.

Table 1: in Thousand EUR

Operational Programme (OP)	Commitment 2007 - 2013 at current prices	Drawing on 31/12/2009	The share of spending on commitments 2007-2013 in %	Commitment 2007 - 2013 ZP**	Share drawing on com. 2007 – advances in %	Taken up by 31/12/ 2010
a	1	2	3 (2:1)	4	5	6
OP Education	617 802	5 221	0,85	32 128	16,25	26 907
OP employment and social inclusion	881 802	75 363	8,55	45915	100,00	0
OP computerization of society	993 095	3 957	0,40	51 865	7,63	47 908
OP Environment	1 800 000	32 458	1,80	12 051	67,01	3 975
Regional OP	1 445 000	91 530	6,33	75 466	100,00	0
OP Transport	3 206 905	203 170	6,34	45 823	99,22	358
OP Health service	250 000	12 533	5,01	13 056	95,99	523
OP Competitiveness and Economic Growth	772 000	42 875	5,55	40 318	100,00	0
OP Technical Assistance	97 601	14 345	14,70	5 097	100,00	0
OP Region of Bratislava	87 000	4 855	5,58	3 872	100,00	0
OP Research and development	1 209 415	33 451	2,77	63 162	52,96	29 712
Together	11 360 620	519 757	4,58	388 753	71,86	109 383

Source: MoF

As shown in the table - the highest percentage of total spending in 2007-2013 commitment (14.70%) was IP technical assistance, operational programs, Employment and Social Inclusion (8.55%), Transportation (6.34%) and the Regional Operational program 6.33%). The lowest spending as a percentage of the total allocated resources is recorded in the operational programs Informatization of Society (0,40 %), Education (0,85 %) and Environment (1,80 %).

The level of the spending has consistently pursued by the competent authorities is responsible for financial management. With respect to the data there is no risk of unspent resources in the application of the n +3 five IP that commitment in 2007 to 100% exhausted and spent commitments already 2008th. In the remaining six OP is the lowest state of exhaustion commitment to the 2007 recorded 12/31/2009 in the OP of Informatization (7,63%), the sum of 47,908 thousand EUR, which is taken up by the end of 2010, also show a low utilization IP Education (16.25%) the sum of 26,907 thousand. Million, but the OP Research and development (52.96%) the sum of 29,712 thousand. EUR.

The authorities of SR consistently and continually analyze and evaluate the entire process of implementation and use of EU funds and apply the approach based on the risk controls, regardless of the programming period, controlled or controlled by fund type respectively program or project. Focusing on risk control right field was discovered in the EU funds a number of deficiencies, weaknesses and problems in system implementation and use of financial aid from the EU.

Based on the observed state of implementation, interviews and incentives and possible to define risk factors, which affect the use of allocated funds as follows:

- Lack of communication between the various bodies involved in the implementation of EU funds
- Failure to comply with deadlines and time-consuming processing of applications for non – repayable financial contribution
- Large volume of funds allocated for the implementation of aid to a large number of beneficiaries
- A complex organizational structure of implementing institutions, common organizational and personnel changes and transfers of competencies
- The complex regulations governing the implementation of EU funds
- Frequent changes and up date its internal procedures, lagging notifying employees about the changes made in the procedures and internal regulations

- Lack of evaluation and selection and approval of applications for non – repayable financial contribution

Other risk factors emerged from the questionnaires have been designated one of the beneficiaries of aid. Questionnaire directed to the communication process with the authorities responsible for implementation of the funds, experience in using non-repayable financial assistance, potential obstacles to the implementation of projects.

Among the negative factors that emerged from the questionnaire responses may include the following:

- The contracts for the provision of non-repayable financial contributions tend to be various Problems
- Payments were paid late
- Communication with the authorities responsible for the implementation of EU funds was not always sufficient
- Frequently revised guidelines of the competent authorities or responsibilities caused some transfers to final beneficiaries problems.

Weaknesses in the financial impact may be a reason for making financial corrections, which can carry the European Commission under the relevant EU regulations. Their essence is to ensure that all expenditures reported by the European Commission for co – financing from EU funds, in accordance with the regulations and rules, the EU and Slovakia.

Summary

The ability to use the SR EU financial assistance to the maximum extent in the most efficient manner and also in accordance with the regulations and rules, the EU and Slovakia is one of the key prerequisites to ensure their optimal use. The more it is necessary to analyze the causes of errors, defects, risks and issues of current spending of EU financial assistance, whether from the accelerated program period and the current and insist to ensure their elimination, the total correction and to serve as a prevention for future development.

Bibliography

1. MARTINOVÉ, Ľ. 2008. Investície neprichádzajú. In *Zamestnanosť a sociálna politika*. ISSN 1336 5053, mesačník č. 11/2008, s.14.
2. MINISTERSTVO VÝSTAVBY A REGIONÁLNEHO ROZVOJA SR, 2007. *Národný strategický referenčný rámec*. Bratislava: MVRRSR, 2007.

3. SOKOL, J. 2008. Verejné prostriedky z pohľadu kontrolóra. In *Verejná správa*. ISSN 1337-0448, mesačník č. 4/2008, s. 76.
4. ŠSTATISTICKÝ ÚRAD SLOVENSKEJ REPUBLIKY, 2009. *Databáza regionálnej štatistiky*. [online]. Bratislava: ŠÚSR, 2009. [cot.25.06.2010]. Dostupné na internete: <http://px-web.statistics.sk/PXWebSlovak/index.htm> .
5. VILAMOVIČ, Š. 2004. *Jak získat finanční zdroje Evropské unie*. Praha: GRADA Publishing, 2004. ISBN 80-247-0828-0.

Contact

Mgr. Agáta Šoltýsová
Faculty of Management
University of Prešov in Prešov
E-mail: agata.soltysova@gmail.com

Development Tendencies of Current Unemployment in Slovakia in the Optic of Public Opinion of Prešov Region during Economic Crisis

Martina Spišiaková

University of Prešov in Prešov, Faculty of Management

Abstract

The paper deals with employment market and the consequences from the unemployment. The main part of the paper represents realized questionnaire with voice of inhabitants in the city of Sabinov. The aim of the questionnaire was to find the opinions of inhabitants about unemployment and employment possibilities during the financial crisis.

It lays stress on the key aspects of this issue in the Prešov region and on a comparison with the average of Slovakia. Various specific differences of this region and possibilities of next development are analysed in this paper.

Key words

unemployment, region, crisis

Introduction

Labour market in Slovak economy suffers by chronic problems which are shown by high unemployment, mainly by long-term unemployment mostly by low skilled labour force, highlighting the low mobility. (Ľ. Azudová, 2005)

Socio-economic consequences of every crisis are reflected in the raise of unemployment and half unemployment in different regions. The development of unemployment is specific in every region and its impact has different explanatory value. It presents the consequence and current evidence of unbalance on the labour market among labour supply and demand. In this article we focused on present development of unemployment in Prešov region and the view of unemployed inhabitants as to the present development of unemployment in district Sabinov.

Unemployment brings problems of financial, organizational, political and psychological character to the society. (K. Kováčiková, 2009)

The aim of this paper is data recovery obtained in questionnaire that shows us the perception, financial security and living standard of the inhabitants in the town of Sabinov. The labour market is one of the most important markets.

We deal with the market of eastern Slovakia which is connected to other markets and also it differs a lot.

1. Implementation and evaluation of research ideas of inhabitants in town Sabinov about questions connected with unemployment.

1.1 Results and discussion

In the following chapter we focus on the development of unemployment in Prešov region which belongs to the regions with the highest unemployment. The problem of regional differences in Slovakia in the context of regional development of Prešov was dealt by Matkovič- Matlovičová (2005), Klamár (2008) who on the basis of socio-economic and demographic differences between offices and regions by deepening differences in their potencies, living conditions and development availability.

The theoretical background presented in the previous sections confirmed by the survey the author of this thesis (Sluková, 2010) among people, who were the most affected by the unemployment, i.e. registered unemployed. The survey was conducted among the unemployed in the district Sabinov. The district as a one of the districts in Prešov region has the highest long-term unemployment not only in region, but also in Slovakia. In the year 2009 it was the fifth location of all districts in the Slovak Republic with unemployment rate 25.40% according to statistical data (Labour Office).

Respondents to the survey, the majority of registered unemployed, the Labour Office.

Focus and objectives of the survey

Our goal in implementing the survey was to focus on key aspects of the unemployment consequences by:

- determine the subjective effects of unemployment on their financial situation
- determine the quality of daily life of the unemployed
- finding social survival unemployment
- finding activities of unemployed in the labour market
- finding activities of the unemployed to acquire new knowledge

The survey was conducted by anonymous questionnaire in which we used closed and semi-closed questions and open questions. The results were evaluated by methods analysis of quantitative characters and the calculation of absolute frequency or percentage share. The frequency of respondents' answers to various questions we have reflected in the charts, respectively tables and to evaluate the results we used the method of analysis, synthesis, comparison and generalization. Overall, 137 respondents were interviewed from among the registered unemployed at ÚPSVaR in Sabinov, and executed and the processing of 116 valid questionnaires. Respondents were asked at ÚPSVaR in Sabinov, filled questionnaire returned 116 respondents, of whom 48 were women, i.e. 41%number and 68 men (59%).

Tab. 1 Overview of respondents by gender

Gender	%	Absolutely
Male	59	68
Female	41	48
Together	100	116

Source: Own processing

Tab. 2 Overview of respondents by age

Age	16-25	26-35	36-45	46-55	56 and more
%	17	15	25	35	8

Source: Own processing

Tab. 3 Overview of respondents by education

Education	Elementary	Vocational SS	Secondary	University
%	8	21	50	21

Source: Own processing

Other questions from the survey of residents of Sabinov were concentrated to the unemployment, living standards and welfare of the population.

1st Question: How long have you registered as unemployed?

In terms of unemployment length dominated by respondents with a recording of ÚPSVaR within 1-6 months. Up to 31% of respondents were long-term unemployed with unemployment rate of year.

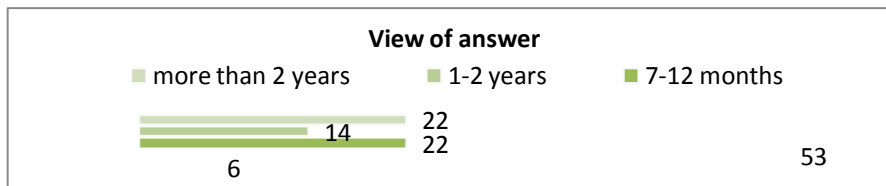


Fig. 1 Duration of unemployment of respondents surveyed

Source: Own processing

2nd Question: What was the reason for termination of previous employment?

Only 52 respondents stated that the reason for termination of previous employment were the organizational changes made by the employer. In graph 4 can be seen that at least respondents said termination of employment by notice. This shows that minimum number of employees leave voluntarily.

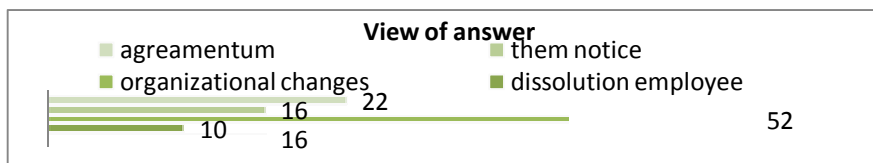


Fig. 2 Termination of employment possibilities

Source: Own processing

3rd Question: Do you think, you will get employed?

Interesting was evaluation of questions associated with expectations of unemployed respondents. The questionnaire 26% of asked respondents had assumption that they will not get employed in the next few years, mainly due to old age, lack of experience and education, respectively of medical reasons.

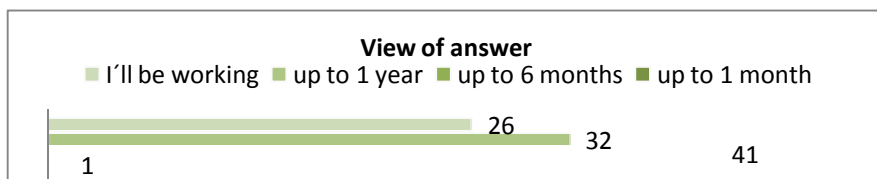


Fig. 3 Expectation of Employment

Source: Own processing

4th Question: Affected the reduction in income due to unemployment, some of those areas?

In the context of economic crisis and the economic consequences of unemployment indicated 52% of respondents' lack of income as a result of his unemployment stemming from poor economic stability in Slovakia. Only two of 116 respondents reported that their income is almost reduced. Up to 78% of respondents indicated that the reduction in income has touched every area of their lives.

Tab. 4 Areas of unemployment due to reduced consumption

Area	Number of responses
No Area	0
Infrequently purchased goods (electronics, furniture)	22
Sports activities	10
Cultural activities	8
Daily consumer goods	14
Grocery	40
Every area	90

Source: Own processing

5th Question: Is your household able to pay current accounts?

On the issue of paying margin above 43% of respondents that current accounts are able to pay with some difficulties, 10% of the respondents according to the responses are unable to pay their current accounts.

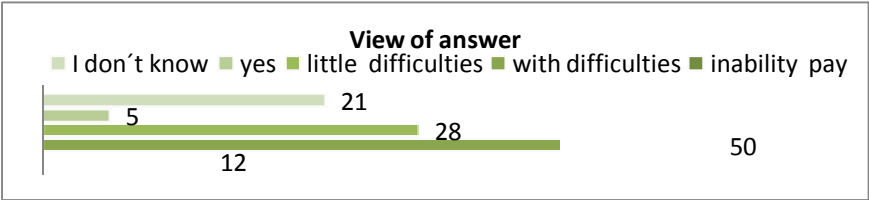


Fig. 5 Ability to meet obligations

Source: Own processing

6th Question: Are you willing to be employed?

To change the status of its respondents are willing to be employed in another profession in which they worked so far (this response indicated 51% of respondents), and a willingness to travel to work over 10 km 53% of respondents were in favour.

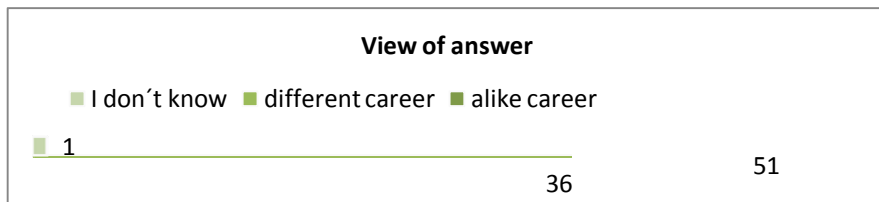


Fig. 6 Willingness to work in the profession

Source: Own processing

7th Question: Do you feel change in the behaviour of people in your area due to unemployment?

In connection with the social consequences of unemployment to 77% of respondents said that they suffer from unemployment behavioural change in their surroundings. The negative answers to this question gave only 19%. The impact of unemployment on the conduct of its surroundings can not judge 14 respondents.

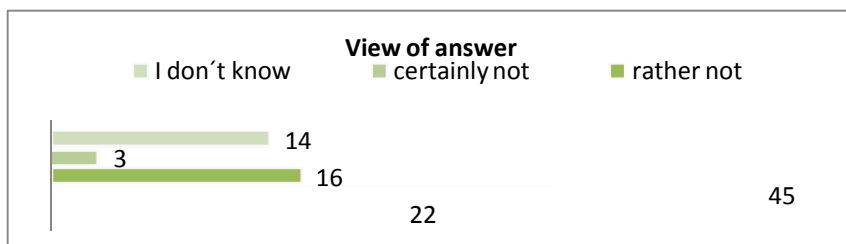


Fig. 7 Neighbourhood and its perception of the respondent as unemployed

Source: Own processing

Summary

Quality of life after loss of job decreased primarily in economic terms, respondents had to reduce its activities and consumer habits in terms of decreased income.

As also noted in respondents' answers after loss of employment they feel inferior, they have feeling of being useless and have no goal in life, as also evidenced by the decrease of quality of life. The survey showed that unemployed people are trying to solve his problem and even actively are willing to complete their education and work and travel a greater distance from the residence. By analysis of respondents' answers, we demonstrate that unemployed personally experience affect on his status for the quality of life in terms of survival and social change in behaviour of environment, the absence of life goals, and a sense of futility. By the economic impact of

unemployment are shown reduced available resources in households of unemployed, which affects different areas of their lives and their consumer habits. Based on the survey results we can conclude that unemployment reduces the quality of life man and his family in terms of economic and social survival.

Bibliography

1. AZUDOVÁ, E.: Postavenie domácností a vývoj sociálnej štruktúry v Slovenskej republike. In MORVAY, K. a kol. Transformácia ekonomiky: skúsenosti Slovenska. Bratislava: Ústav slovenskej a svetovej ekonomiky 2005, s. 248 – 273. ISBN 80-7144-143-0.
2. KOVÁČIKOVÁ, K; Nezamestnanosť ako dôsledok hospodárskej krízy. In: Medzinárodná Baťová konferencie pro doktorandy a mladé vedecké pracovníky, Zlín: Univerzita Tomáše Bati ve Zlíne, 2009. ISBN: 978-80-7318-812-2
3. MITRÍKOVÁ, J; Geografické aspekty transformácie maloobchodu a nákupného správania sa na Slovensku. In: Matlovič, R.- Matlovičová, K.(2005): Vývoj regionálnych disparít na Slovensku. Folia geographica 8, Prešov: Prešovská univerzita v Prešove. ISSN 133-6157
4. SLÚVKOVÁ, M. Ekonomické a sociálne dôsledky nezamestnanosti vo vybranom regióne. 2010.(bachelor thesis)
5. KLAMÁR, R; (2008): Slovakia and the analysis of its disparities. Acta facultatis Studiorum Humanitatis et naturae Univesitatis Prešovensis, Folia Geographica 12, Prešov. ISSN 133-6157
6. MATLOVIČ, R- MATLOVIČOVÁ, K. (2005): Vývoj regionálnych disparít na Slovensku a problémy regionálneho rozvoja Prešovského kraja. In: Prírodné vedy. Folia geographica8.Prešov: Prešovská univerzita, Fakulta humanitných a prírodných vied, p.66-88.
7. ŠIRÁ, E.: Ekonomický potenciál Prešovského kraja. In: Zborník z medzinárodnej Baťovej doktorandskej konferencie, Zlín, 10.4.2008, ISBN 978-80-7318-664-7
8. Kríza ukrojila Slovákovi z práce. Všade inak. Available on the internet: (<http://hnonline.sk/ekonomika/c1-40799550-kriza-zasiahla-regiony-rozdielne-rozny-bol-aj-narast-nezamestnanosti>) [22.6.2010]
9. MOLČANOVÁ, A. Komentár k štatistike o vývoji nezamestnanosti v okrese Prešov USVARSR. Available on the internet: (<http://www.upsvarpo.sk/upsvarpo/tmp/1478-1267091663.pdf>) [23.6.2010]
10. ŠÚ SR; Vývoj zamestnanosti a nezamestnanosti v 1. Štvrťroku 2010. Available on the internet: (<http://portal.statistics.sk/showdoc.do?docid=24148>) [20.6.2010]

This article is published as one of the outputs by the grant VEGA 1/0403/09

Contact

Ing. Martina Spišiaková
Department of Economic Sciences and Economy
Faculty of management, University of Prešov in Prešov
Konštantínova 16, 080 01 Prešov
E-mail: m.spisiakova@azet.sk

The Use of the EU Funds to Finance Investment Projects of the Košice Self-Governing Region

Alžbeta Suhányiová

University of Prešov in Prešov, Faculty of Management

Ladislav Suhányi

University of Prešov in Prešov, Faculty of Management

Abstract

The Slovak Republic used EU funds since its formation in 1993. These funds were called pre accession funds, which aimed to help candidate countries in preparing for EU membership and to acquaint them with the structural policy of EU. The pre accession projects lasted until 2006. Slovakia joined the European Union on 1 May 2004, and at that time the period of financing from the Structural Funds began. Slovakia used the funds in a shortened programming period of 2004-2006. At the present time there is funding for projects in the programming period of 2007-2013. This paper analyzes the spending of EU funds to finance investment projects in the selected region, in the present and shortened programming period.

Key words

investment projects, EU funds, Košice self-governing region

Introduction

The investment projects of non-governmental organisations, public and private sector contribute to development of national and local infrastructure, civic amenities, protection of the environment, enhancement of competitive ability of the region, reduction of unemployment rate, levelling the disparities between individual regions. One of the most important financing sources for the investment projects nowadays are the EU funds.

Making use of the funds in the shortened period of 2004-2006

Within the shortened programming period of 2004 – 2006, 1 907 applications for non-recoverable financial contribution were accepted in the Košice region, out of which 744 projects were implemented. To implement the projects, EUR 110,469,405.83 were provided from the EU funds and EUR 153,778,452.36 from structural funds and national budget (NB).

15%, namely EUR 23,033,073.96, of the provided EU and NB funds went to the **Sector Operating Program (SOP) Industry and Services**. Out of the total number of 220 accepted projects within the SOP Industry and Services, 54 projects of the priority: Growth in Competitiveness of Industry and Services and 7 projects of the priority: Development of Tourism were implemented.

The most of the submitted projects of the Košice region were applied within the **SOP Human Resources**, 624 in total. 175 of them were implemented. The financial means drawn on the SF and NB funds represent the amount of EUR 13,148,802.27, i.e. 8.55% of the total accepted means in the Košice region. Within the priority: Development of Active Labour Market Policy, 7 projects were implemented; to stimulate social inclusion and equality of opportunities on the labour market, 25 projects were implemented and within the priority: Increase of Qualification and Adaptability of Employees and Persons Entering the Labour Market, 124 projects were implemented.

To support productive agriculture and sustainable development belonging into the **SOP Agriculture and Rural Development**, EUR 38,464,788.01, this representing 25.01% of the means, were drawn on structural funds. 264 projects of the total 423 projects were implemented, this meaning that within this SOP the largest number of projects was implemented.

The largest portion of financial means was used for the projects of **OP Basic Infrastructure**, namely 47.64% of the total drawn funds in the Košice region. 264 projects out of the total 472 were implemented and the biggest financial allocation was designated for 6 projects of transport infrastructure in amount of EUR 32,241,496.12. Further on, 23 projects of environmental infrastructure and 156 projects of local infrastructure were implemented.

The projects of the **NP Hungary – Slovakia – Ukraine Neighbourhood Program** drew EUR 3,926,968.93, i.e. 2.55%. The largest number of successful projects was submitted within the initiative **EQUAL**, within which 34 projects out of 42 were approved in total value of EUR 1,949,468.93, reaching thus 80.95% success.

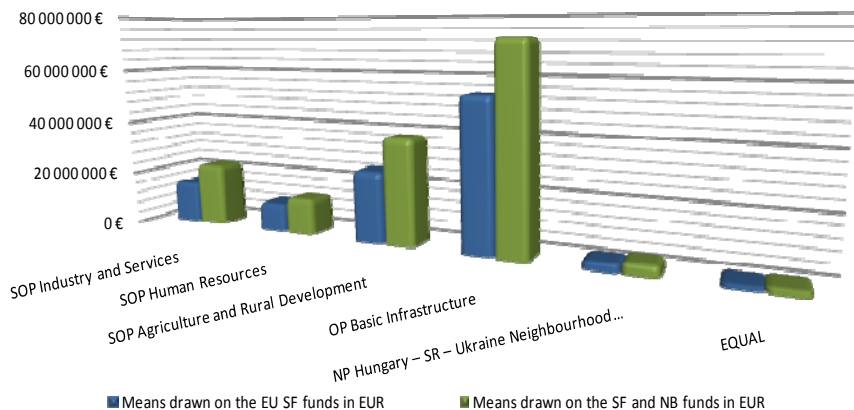
The below table illustrates the status of implementation of structural funds in the Košice region during the programming period of 2004 – 2006 as of 28 February 2010:

Table 1 Status of funds utilization within the shortened programming period of 2004-2006 in the Košice region as of 28 February 2010

Operational Program	Number of accepted projects	Number of implemented projects	Means drawn on the EU SF funds in EUR	Means drawn on the SF and NB funds in EUR
SOP Industry and Services	220	61	15 179 819,49	23 033 073,96
SOP Human Resources	624	175	10 406 447,8	13 148 802,27
SOP Agriculture and Rural Development	423	264	25 860 808,06	38 464 788,01
OP Basic Infrastructure	472	185	54 443 976,95	73 255 351,16
JPD NUTS II - Bratislava Goal 2	0	0	0	0
JPD NUTS II - Bratislava Goal 3	2	0	0	0
CIP INTERREG IIIA Austria-SR	0	0	0	0
CIP INTERREG IIIA Poland-SR	0	0	0	0
CIP INTERREG IIIA SR-ČR	0	0	0	0
NP Hungary – SR – Ukraine Neighbourhood Program	124	25	3 072 354,45	3 926 968,01
EQUAL	42	34	1 505 999,09	1 949 468,93
Total for Košice region	1 907	744	110 469 405,83	153 778 452,36
Total for Slovakia	14 261	5 567	1 014 239 241,83	1 452 607 660,55

Source: ITMS, 2010 b

Fig. 1 Amount of drawn means of the shortened programming period of 2004 – 2006 in the Košice region as of 28 February 2010



Source: elaborated based on data of ITMS, 2010 b

In the shortened programming period of 2004 – 2006, the Košice region drew 10.51% of the total drawn funds of Slovakia. The successfulness of the applications filed in the Košice region reaches 39%, which is the same value as the national average.

Utilization of funds in the programming period of 2007 – 2013

In the ongoing programming period, 1 642 projects in total were filed in the Košice region as of 31 March 2010; out of this number, 445 projects were approved, which is 27.10% success. Out of the approved projects achieving the value of EUR 248,730,248.77, the expenditure of EUR 24,183,424.09 have been shown for the time being. As of 31 March 2010, 9.72% of expenditures were spent out of the total approved budget for projects.

Within the **Operational Program (OP) Informatisation of Society**, one project for the value of EUR 4,499,998.95 was approved out of the two submitted by now; no expenditures have been showed yet. Most projects were submitted within the **OP Employment and Social Inclusion**, in particular 434 projects. The most successful projects were submitted within the **OP Transportation**, these being successful 100%. The largest number of approved projects out of all approved ones by now in the Košice region is within the **Regional OP** – 28.09%. Out of the total approved budget, the

largest sum is designated for the **OP Environment**, i.e. 35.42% of the financial means.

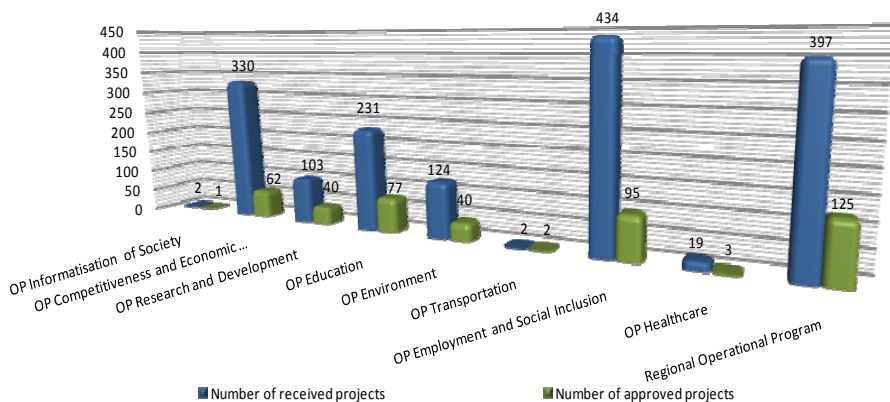
The below table illustrates the existent status of implementation of structural funds in the Košice region for the programming period of 2007 – 2013 as of 31 March 2010:

Table 2 Status of funds utilization within the programming period of 2007-2013 in the Košice region as of 31 March 2010

Operational Program	Number of received projects	Number of approved projects	Approved projects (budget)	Spent/Showed expenditures
OP Informatisation of Society	2	1	4 499 998,95	0
OP Competitiveness and Economic Growth	330	62	23 226 772,20	1 104 893,88
OP Research and Development	103	40	66 060 851,78	2 645 308,99
OP Education	231	77	16 243 300,30	486 759,21
OP Environment	124	40	88 105 548,23	2 289 253,35
OP Bratislava Region	0	0	0	0
OP Transportation	2	2	164 309,90	112 768,60
OP Technical Assistance	0	0	0	0
OP Employment and Social Inclusion	434	95	13 027 400,14	1 423 863,94
OP Healthcare	19	3	7 096 277,46	3 310 196,29
Regional Operational Program	397	125	30 305 789,81	12 810 379,83
Total for Košice region	1 642	445	248 730 248,77	24 183 424,09

Source: ITMS, 2010 a

Fig. 2 Number of projects of the programming period of 2007-2013 in the Košice region as of 31 March 2010



Source: elaborated based on data of ITMS, 2010 a

Utilization of the funds of current programming period of 2007 - 2013 with emphasis on the Košice region compared to other regions

In the preceding part, we focused on drawing of financial means from the European Union funds during the shortened programming period of 2004 – 2006 and the programming period of 2007 – 2013 in the Košice region. In the next part, we analyze utilization of funds of the current programming period of 2007-2013 with emphasis on Košice region compared to other regions. The actual status of implementation of structural funds in individual regions as of 31 March 2010 is illustrated in the below table:

Table 3 Status of implementation of structural funds in individual regions as of 31 March 2010

Region	Submitted projects (number)	Submitted projects (budget)	Approved projects (number)	Approved projects (budgets)	Spent/Showed expenditures
Bratislava	916	766 370 290,25	371	383 939 996,60	51 191 630,89
Trnava	1 052	921 735 949,43	279	186 907 107,90	20 694 556,09
Trenčín	1 132	1 335 697 040,07	284	436 377 993,90	127 782 264,98
Nitra	1 347	1 156 030 425,62	391	285 751 477,12	26 418 335,77
Žilina	1 598	1 816 106 982,07	499	608 217 159,37	163 798 431,21
Banská Bystrica	1 768	1 642 758 899,52	500	477 041 297,44	90 017 320,27
Prešov	2 248	1 709 971 555,06	722	326 304 045,06	43 775 938,91
Košice	1 642	1 371 915 413,17	445	248 730 248,77	24 183 424,09
Total	11 703	10 720 586 555,19	3491	2 953 269 326,16	547 861 902,21

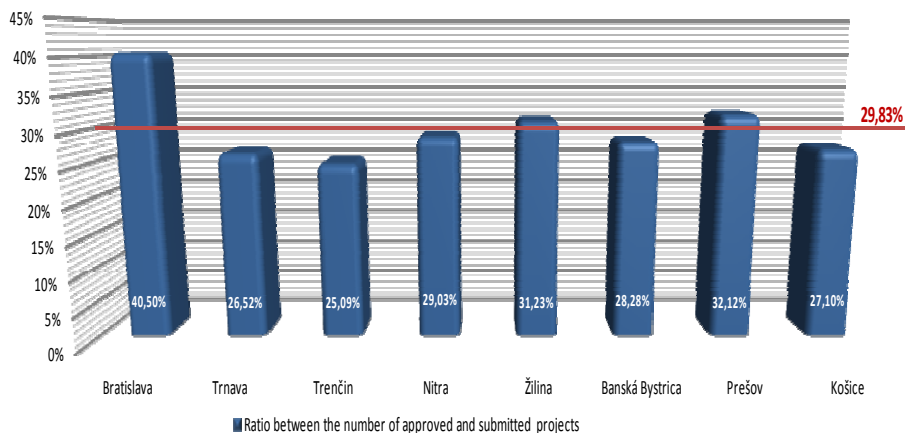
Source: ITMS, 2010 a

Out of the total financial allocation of NSRR SR of EUR 11,360,619,950.00 designated for 2007 – 2013, projects valued at EUR 2,953,269,326.16 were approved as of 31 March 2010, which is 26% of the total financial allocation. The Košice region was approved 2.19% of the total financial allocation for 2007 – 2013.

Based on the data in Table 3 we can see that the Košice region is after the Prešov and Banská Bystrica regions in the third place as regards the number of submitted projects (14.03%) and the fourth as regards the amount of the total budget of submitted projects (12.8 %).

As regards the successfulness, i.e. the ratio between the number of approved and the number of submitted projects, the Slovak average is 29.83%. Košice region is under the overall Slovak average and with the value of 27.10% it is in the sixth place. Only Trnava (26.52%) and Trenčín (25.09%) regions achieved lower successfulness.

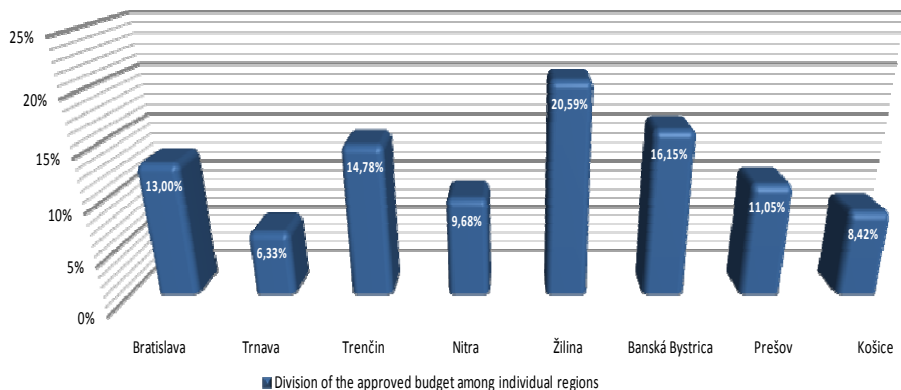
Fig. 3 Ratio between the number of approved and submitted projects as of 31 March 2010



Source: elaborated based on data of ITMS, 2010 a

Out of the total approved budget for projects of EUR 2,953,269,326.16, Košice region got EUR 248,730,248.77 EUR, which is only 8.42 % of the total approved sum. Lower level achieved only Trnava region (6.33 %).

Fig. 4 Division of the approved budget among individual regions as of 31 March 2010



Source: elaborated based on data of ITMS, 2010 a

The overall Slovak average value of the budget determined for one project reaches the amount of EUR 845,966.58, while the average budget amount in

the Košice region again reaches lower value, in particular EUR 558,944.38 (second lowest value).

Based on the above facts, although the Košice region belongs among the regions with the highest number of submitted projects the successfulness of approval is low and the number of approved projects is low as well.

Summary

The European Union funds are an important tool of support of regional development for Slovakia and its regions. By way of EU funds, the Košice region obtained a considerable amount of financial means.

At present, we are in the programming period of 2007 – 2013, with the Slovak Republic having the support of EUR 11,360,619,950.00 approved by the European Union. The Slovak Republic is ready to make use of this opportunity in order to safeguard sustainable economic growth, increase the living standard of the population as well as the employment rate. Fulfilment of these criteria will, at the same time, be a tool to reduce regional differences.

The Košice region falls behind most regions of Slovakia in the actual programming period as regards approval of the submitted projects. Within the Košice region, the ratio between the number of approved and submitted projects is one of the lowest and it does not reach the level of the overall Slovak average, which may also reflect low quality of the submitted projects.

Bibliography

1. EUROPEAN COMMISSION. 2009. Cohesion Policy 2007-2013 Available at: <http://ec.europa.eu/regional_policy/atlas2007/slovakia/index_en.htm>.
2. ITMS. 2010 a. Stav implementácie regionálnych projektov ŠF podľa OP, priorít a opatrení pre PO 2007-2013 k 31.03.2010. Available at: <<http://www.strukturalnefondy.sk/cerpanie/>>.
3. ITMS. 2010 b. Stav implementácie ŠF v jednotlivých VÚC podľa OP a priorít k 28. 02. 2010 Available at: <<http://www.strukturalnefondy.sk/sk/programovacie-obdobie-2004---2006/stav-cerpania-financnych-prostriedkov-v-po-2004-2006/>>.
4. MINISTERSTVO VÝSTAVBY A REGIONÁLNEHO ROZVOJA SR: Národný rozvojový plan. Available at: <<http://www.build.gov.sk/mvrrsr/index.php?id=1&cat=123>>.
5. MINISTERSTVO VÝSTAVBY A REGIONÁLNEHO ROZVOJA SR: Národný strategický referenčný rámec SR 2007 – 2013. Available at: <<http://www.nsrr.sk/narodny-strategicky-referencny-ramec-2007-2013/>>.

6. MINISTERSTVO VÝSTAVBY A REGIONÁLNEHO ROZVOJA SR: Systém riadenia štrukturálnych fondov a Kohézneho fondu na programové obdobie 2007 – 2013. Available at:
<<http://www.rokovania.sk/appl/material.nsf/0/D17625629CD2AC2EC1>
7. Rozpočet Košického samosprávneho kraja na roky 2009 - 2011

Contacts

doc. Ing. Alžbeta Suhányiová, PhD.
University of Prešov in Prešov, Faculty of Management
Ul. Konštantínova 16, 080 01 Prešov, Slovak Republic
E-mail: suhanyiova@unipo.sk

Ing. Ladislav Suhányi, PhD.
University of Prešov in Prešov, Faculty of Management
Ul. Konštantínova 16, 080 01 Prešov, Slovak Republic
E-mail: ladislav.suhanyi@gmail.com

The Influence of Financial Crisis on Governmental Policies and Foreign Direct Investments in Romania

Silvia Sumedrea

Transilvania University of Brasov, Romania

Abstract

Foreign direct investments (FDI) are one of the major sources of development all over the world and in former communist countries of Europe, too. During the process of enlarging the EU, numerous FDI projects were developed and there are many others that are waiting for better economic conditions in order to be implemented. The paper is analyzing the effects of the financial crisis and the impact of FDI on economic development, by highlighting the main advantages and difficulties of doing businesses in Romania.

Key words

Financial crisis, foreign direct investments, Romania

1. The Romanian economy evolution during the financial crisis

The current global financial and economic crisis influences companies' propensity to invest due to gloomy economic and market prospects. International financial markets were strongly hit on September 15th, 2008 after Lehman Brothers, US's forth largest investment bank by assets, announced its bankruptcy. The Romanian capital system has been affected as well. On the Bucharest Stock Exchange (BSE) the descending trend started in September 2008 caused the aggregated index BET-C to drop to historical low levels (1231,05 points) last achieved in February 2003, marking a difference of 196,12%, that would never been reached since February 2003, the fall being of 196,12% in just few month (sept.08-febr.09) (see table 1).

Table 1: BET-C variation

Date	BET-C	BET-C variation
10/09/2003	1.231,92	-
09/15/2008	3.645,46	+195,91%
02/25/2009	1.231,05	- 196,12 %

Source: BSE (Bucharest Stock Exchange)

BET-C is the BSE's most representative index; it is a composite index reflecting the evolution of the prices of the companies listed on the regulated market BSE (category I and II), excepting SIF-s (see figure 1). BET-C is a price index weighted by market capitalisation of the companies included. (see figure no. 1).

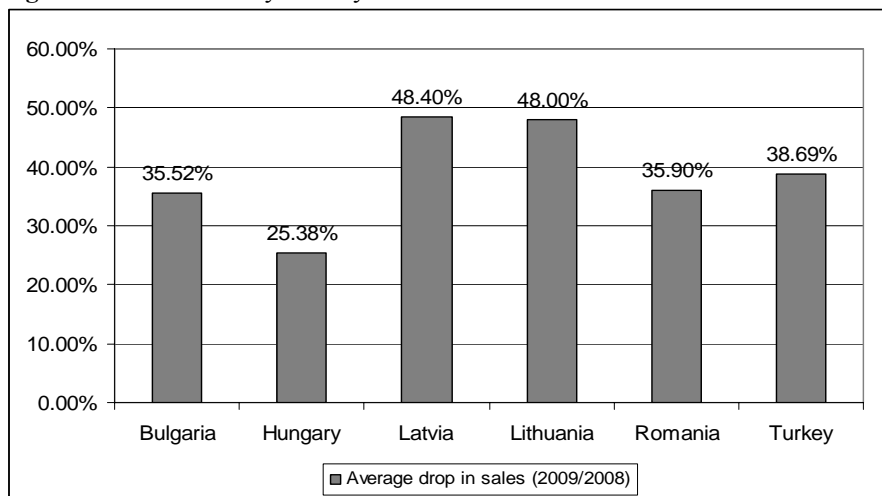
Fig. 1: Capital market index BET-C



Source: BSE

In Romania, the financial crisis materialized not only in stock exchange fall, but also in production and selling difficulties, due to a complex of fiscal, union and electoral causes (changes in taxation, demands for amending the legislation on public servants salaries, industrial actions, governmental instability, unemployment rise and significant increase of taxes and excises). A study conducted by Correa P. and Iooty M. (2009) regarding the impact of the crisis on enterprises in Europe and central Asia revealed the fact that among the most strike economies were those of Bulgaria, Hungary, Latvia, Lithuania, Romania and Turkey, where the companies registered the biggest reductions in sales (see fig. no.2).

Fig. 2: Sales reduction by country



Source: World Bank survey, 2009

In 2008 the Romanian budgetary policy was expansionary, pro-cyclical and lead to the accumulation of significant macroeconomic imbalances, manifested by current account deficit and increasing inflation rate. The situation of public finances has deteriorated considerably in late 2008, the budget deficit reaching 4.9% of GDP, over twice the budgeted target set.

Table 2: Main macro-economic ratios

	2005	2006	2007	2008	2009	06.2010
BET C (points)	3,910,88	5025,08	6.665,47	1.977,1	2.714,77	2.804,47
BET-C % (prev. year =100)	38,22	28,49	32,64	-70,34	37,31	3,30
Real GDP % (prev. year =100)	4,20	7,90	6,30	7,10	-7,13	0,75*
RON/EUR ex- change rate	3,6234	3,5245	3,3373	3,6827	4,2373	4,3688
Unemployment rate	5,80	5,40	4,30	4,00	8,90	7,44
Inflation rate % ((prev. year =100)	9,01	6,56	4,84	7,85	5,59	4,42
State budget balance (mil. EUR)	- 602,45	- 2989,79	- 4611,21	- 5392,70	- 8,300,88	- 4390,52

Sources: BNR, , BSE, INSSE, *CNP forecast for year 2010

Additionally, in 2009, the government imposed to all companies a forfeiting tax, that led to worsen of negative effects of the crisis above private enterprises and, indirectly, above households. GDP has known a dramatic fall with 7,7% compared with 2008 (according to National Forecasting Commission - CNP), and the international financial crisis expanded over Romanian economy thru may channels.

“We’ve identified five contagion channels of financial crisis’ indirect effects in Romania: trade, financial, confidence, forex and effects over wealth and balances”, said Mugur Isarescu, governor of National Bank of Romania (Isarescu, 2009). Thus, even if on the trade channel a slowing down in exports and imports growth can be observed (according with CNP), having implications on current account deficit (see tables no.3), still the harder hit was induced on confidence channel.

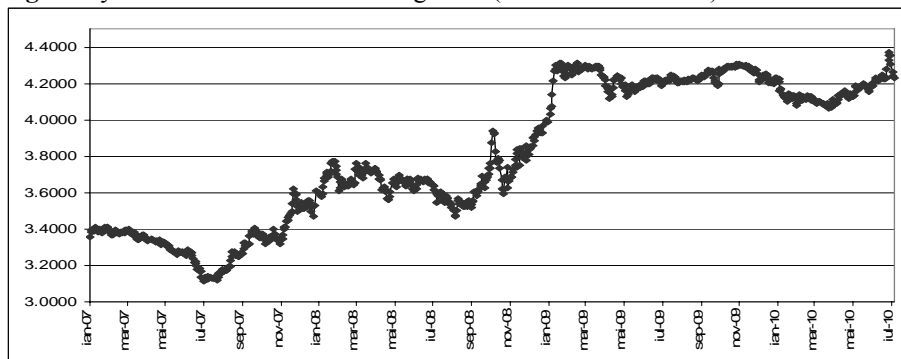
Table 3: Trade dynamic

	2007	2008	2009	2010f
Exports (previous year = 100)	13,70%	13,80%	- 22,39%	1,30%
Imports (previous year = 100)	24,90%	9,80%	-36,50%	3,10%

Source: CNP (National Forecasting Committee)

The first signal has been given by the country rating that changed from “stable” to “negative”, subsequently Romania being confronted with a high volatility of the stocks and forex markets (see figures no. 1 and 3), followed by a significant withdrawal of western European investors (from Austria, Holland, Germany, France, Italy and Greece), which had to face certain liquidity problems in their origin countries.

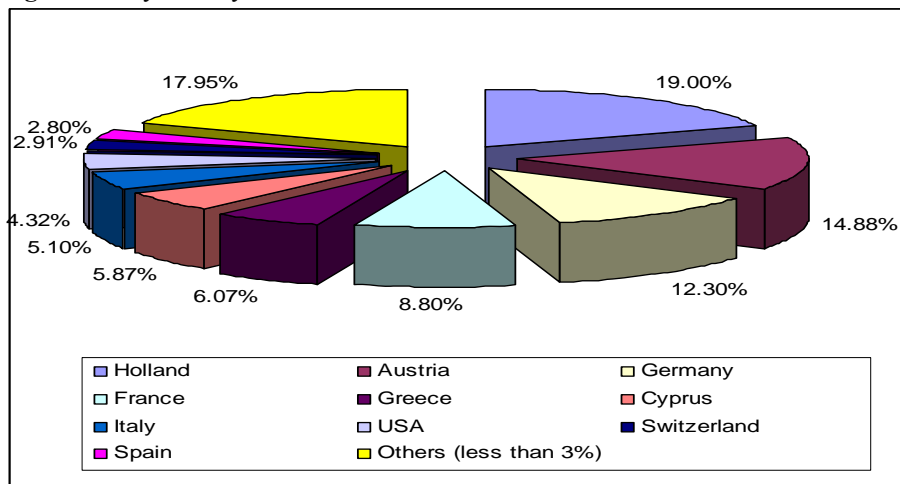
Fig. 3: Dynamic of RON/EUR exchange rate (Jan 2007 - Jul 2010)



Source: BNR (National Bank of Romania)

Although the Romanian economy entered in 2008 with certain perspectives of rapid development, in the second part of year 2008 the worsening of the financial and economic situation became visible, and the negative development continued also in 2009, as the evolution of gross domestic product (GDP) indicated. During the beginning of 2010 the news regarding Greece economy problems influenced the Romanian economy, because of the total amount of Greece FDI (being the 5th major investor in Romania with 6,07%, after Holland (19%), Austria (14,88%), Germany (12,30%) and France (8,80%) – see fig. no.4.

Fig. 4: FDI by country at 31.12.2009



Source: National Trade Register

2. Reasons to invest in Romania

When considering a country as a possible location for developing their businesses, foreign investors are taking a close look to the advantages provided there, such as position, market size, fiscal and economical advantages, natural and human resources and so on.

According to Ivan and Iacoviu (2009) there are various types of foreign direct investors, some of them are seeking for market advantages (market-seeking FDI), others are seeking for resources advantages (resource-seeking FDI) and finally, others are seeking for an improvement of their results (strategic asset – seeking and efficiency – seeking FDI).

Table 4: Foreign direct investments typology – synthesis

FDI types	Main investments motivations	Main characteristics of host country
Market – seeking	to establish a strong position in the market of the host country; achieve access to a new regional market;	the national market potential economic integration (internationalization);
Resource – seeking	- to achieve access to natural and human resources;	- availability of natural resources; - the skill quality of production labor;
Strategic – assets seeking	- to achieve access to national research and technological expertise/capabilities;	- availability of scientific knowledge; - the level of development of innovation and R&D activities;
Efficiency - seeking	- access to low-cost input factors (in order to improve group's competitiveness);	- availability of low-cost input factors (labor, energy, raw materials).

Source: Ivan, M., V., Iacovoiu, V (2009)

From governmental point of view, Romania has many advantages to offer to foreign investors:

- *location*: Romania is situated in EU, nears Balkans and CIS countries, being crossed by three important pan-European transportation corridors: corridor no. IV (links Western and Eastern Europe), corridor no. IX (connecting Northern and Southern Europe) and no. VII – Danube River, facilitating inland water transportation, at the same time connecting the Romanian Port of Constanta (the biggest Port to the Black Sea) to Northern Europe, through the Rhine;
- *market dimension* : 21,5 million inhabitants, Romania being ranked as the 7th in EU;
- *highly skilled labor force* still at competitive prices (average wage in 2009 being around 325 EUR) in various domains such as: IT, chemistry, medicine, automotive industry, etc.
- *various natural resources* (gas, oil, land, waters) and local facilities of exploitation; land use: farmland 61.7 percent (of which 39.5 percent arable land),
- forest 28.4 percent, other 9.9 percent
- *various partnerships and memberships*: NATO, EU, UN, OSCE, Council of Europe and International Organization of La Francophonie, WTO.

- *political and social advantages*: Romania is a stability factor in the area due to NATO membership; there were no major union movements during last 10 years, compared with other countries such as Greece or Spain;
- *economical advantages*: decreasing inflation (4,42% in June 2010 compared with 5,59% in December 2009), slight economic growth (forecasted at 0.75% in 2010), increasing interest on behalf of foreign investors, presence of branch offices and representatives of various well-known international banks, extensive maritime and river navigation facilities, well-developed networks of mobile telecommunications in GSM systems;
- *legal advantages*: similar legal provisions as in UE , there are no specific investment approvals required for setting up a business in Romania, labor relations regulated by the Romanian Labor Code, fiscal policy regulated by the Fiscal Code; over the years various tax incentives aimed at fostering foreign investment have been provided by Romanian legislation; the relevant domestic legislation on merger control of economic concentration, anti-competitive agreements, state aid control, concerted practices and abuse of dominant position are included in the Competition Law (no.21/1996).

3. Foreign direct investments in Romania

UNCTAD compiles statistics on foreign direct investment (FDI that are seen as being: inward FDI - when investors from one country are making abroad (the world is seen as a destination) and outward FDI - when investors from abroad are making in a specific country (here the world is seen as a source). Regarding Romania, as some other CEE countries as well (Bulgaria, Czech Republic, Hungary, Poland and Slovakia), the number of greenfield FDI projects presented in table no. 5 indicated that there are far more numerous projects that were coming from abroad than FDI projects that were developing outside the country. Taking into account the number of inflow and outflow FDI projects, a balance can be observed only in the Baltic States (Estonia, Latvia and Lithuania), but their projects are small compared with those of the other ex-communist countries. According to UNCTAD (2009a) four countries together accounted for the lion's share (77%) of the group's total inflows: Poland (\$16.5 billion), Romania (\$13.3 billion), the Czech Republic (\$10.7 billion) and Bulgaria (\$9.2 billion).

Table 5: Number of greenfield FDI projects, by source/destination, 2004–2009

Country	World as a destination					
	2004	2005	2006	2007	2008	Mar 2009
Bulgaria	15	6	6	7	12	1
Czech Republic	17	22	39	32	53	3
Estonia	7	25	44	39	26	7
Hungary	26	12	19	29	29	3
Latvia	10	11	23	14	17	2
Lithuania	11	54	67	13	17	6
Poland	25	28	38	38	42	8
Romania	9	13	13	13	20	-
Slovakia	5	-	3	2	5	-

Country	World as a source					
	2004	2005	2006	2007	2008	Mar 2009
Bulgaria	109	140	285	151	146	33
Czech Republic	148	150	179	148	141	22
Estonia	43	62	55	32	44	6
Hungary	221	205	241	217	147	31
Latvia	30	83	110	33	51	10
Lithuania	23	76	60	44	46	8
Poland	239	270	337	340	353	43
Romania	180	262	373	369	348	41
Slovakia	88	118	118	99	86	15

Source: UNCTAD - World Investment Report (2009a)

For a foreign investor coming up to Romania to set up a business the most frequently used forms of companies are:

- *limited liability company* (SRL) – the shareholders' liability is limited to the amount subscribed as participation to the company's share capital. The share capital must be at least at an amount of RON 200 (aprox. EUR 47, calculated for an exchange rate of 4.2/EUR);
- *join-stock company* (SA) - The minimum mandatory capital must be at least at an amount of RON 90.000 (aprox. EUR 21.428). Shares must be hold by a minimum of two shareholders (individuals and/or legal entities) and can be open to either public or private participation. The par value of one share must be at least RON 0,1;
- *representative office* – usually set up by foreign companies in Romania in order to carry-out non-commercial activities on behalf of the parent company;
- *branch of foreign company* – does not have its own legal personality or share capital and cannot exceed the scope of activity of the parent company;
- *consortium* – similar with a joint venture agreement where parties act together to accomplish a common business goal

- *Societas Europaea* (SE) – may be created on registration in any of EU member states in accordance with the EC regulation 2157/2001 in order to allow businesses that are operating in various EU state to be treated like a single company.

Data on foreign direct investment (FDI) in Romania are reported by the National Bank of Romania (NBR). According to NBR foreign direct investment means a long-term investment relationship between a resident entity and a non-resident one; usually it involves a significant degree of influence from the investor on the management of the direct investment enterprise in which he/she invested. Foreign direct investment is considered the following: paid-up capital and the reserves related to a non-resident investor owning at least 10 percent in the subscribed share capital of a resident enterprise, the loans between the investor and the direct investment enterprise as well as the reinvested earnings. Also, the flow of equity capital into FDI enterprises is divided into: *greenfield*, *mergers and acquisitions* and *corporate development*.

In 2008 in Romania, out of the total FDI equity flow, 66.8 percent (EUR 3,517 million) went to corporate development, 32 percent (EUR 1,683.5 million) were destined to mergers and acquisitions and only 1.2 percent (EUR 64.2 million) to greenfield investment. The accumulation of foreign direct investment in enterprises established as greenfield investment companies (*greenfield enterprises*), has been highlighted in table no 6 in order to assess the lasting impact of greenfield investment on the economy.

Table 6: FDI in Greenfield enterprises at the end of 2008

	Total FDI (EUR million)	of which: FDI in Greenfield enterprises	
		EUR milion	% in FDI/ economic activity
Total of which:	48,798	24,707	50.6
Industry, of which:	20,138	7,180	35.7
- Mining	2,158	341	15.8
- Manufacturing	15,236	6,515	42.8
- Electricity, heating, natural gas, water	2,744	324	11.8
Financial intermediation and insurance	10,026	3,953	39.4
Construction and real estate	6,155	4,284	69.6
Trade	6,060	5,226	86.2
Information and communication	3,283	1,596	48.6
Other	3,136	2,468	78.7

Source: NBR

Despite significant changes in the legal and regulatory framework, FDI inflows have not kept pace with expectations. During the period 1996-2008 the Romanian Government has made numerous attempts to attract foreign investors into all country's regions, by selling important parts of state enterprises, offering fiscal facilities and access to various resources, and by organizing industrial and technological parks. Following the accession to the European Union (January 1st, 2007) Romanian Government also adopted a large number of state aid schemes in order to stimulate economic growth.

Although the promising evolution in 2004-2008, the decreasing of FDI in Romania has been massive during 2008-2009; if the total amount of FDI in 2007 rose to Euro 42.770 mil. and in 2008 to a total amount of Euro 48.798 mil. (increasing with 14,09%), in 2009 FDI run into Euro 51.536 mil. (increasing only with 5.24% compared to precedent year).

Table 7: Dynamic of FDI stocks in Romania

	2005	2006	2007	2008	2009	06.2010
Foreign direct investments (mil Euro)	21.885	34.512	42.770	48.798	51.356	53.346
FDI % (prev. year =100)	45,51	57,70	23,93	14,09	5,24	3,87

Source: NBR

Additionally, the FDI region analysis (see table no.8) leads us to observing nuanced effects of the crisis, thru highlighting the enlargement of regional development of Romania. We can observe that the most attractive region, by far, will remain Bucharest-Ilfov region, and the less attractive one will be Nord-East region, to this aggravate situation contributing also the existence of existence of certain large companies having important losses during financial and economic crisis, the most directly affected types of investment so far being market-seeking and resource-seeking projects in domains like trade, construction and real estate and also banking.

Table 8: FDI by regions (mil EUR)

	2004	2005	2006	2007	2008	% of total FDI 2008
Bucharest	8.426	13.264	22.205	27.516	30.594	62,70 %
Center	1.038	1.610	2.559	3.541	4.146	8,50 %
South-East	1.752	1.838	2.653	2.448	3.551	7,28 %
South	1.273	1.388	2.228	2.942	3.411	6,99 %
West	1.093	1.491	1.948	2.365	2.626	5,38 %
Nord-West	1.035	1.257	1.570	1.907	2.108	4,32 %
Sud-West	405	745	938	1.379	1.226	2,51 %
Nord-East	18	292	411	672	1.136	2,33 %
Total	15.040	21.885	34.512	42.770	48.798	100,00 %

Source: NRB

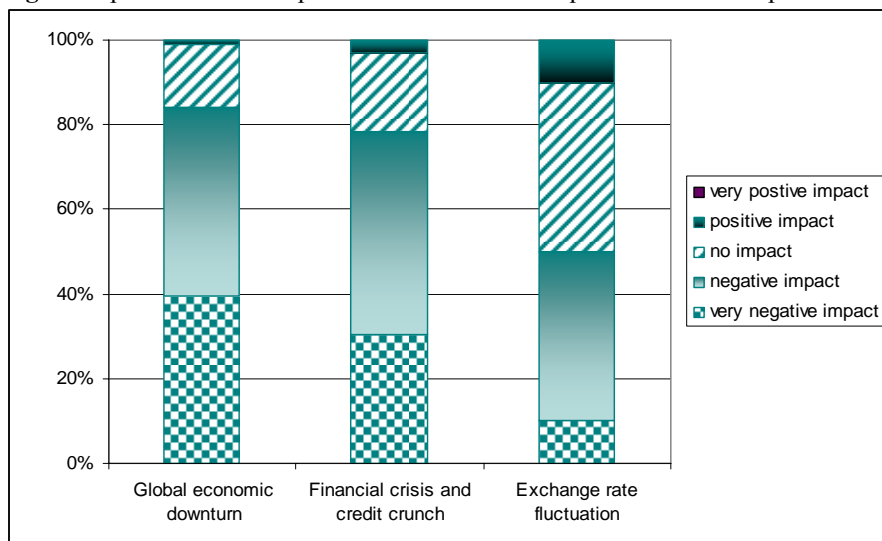
The Romanian economy during 2009 and at the beginning of 2010 has not given any signs of recovery. Au contrary, in 2009 it was the worst year for the economy, as GDP decreased by 7,3%. Moreover, in 2010 the Romanian government has been confronted with a liquidity problem, due to the payments that have to be made on the \$20 billion international loan. As a consequence, a series of legal stipulations has been adopted. A drastic cut of public employees wages (with 25%), followed by an increase of VAT from 19% to 24% were the main measures that the government took in order to collect money for reducing the fiscal deficit. Also, stipulations regarding labor contracts of EU fund projects were issued, where the contributions to pension funds, heath fund and unemployment fund were increased during the fiscal year 2010, without previous warnings. But, beside certain positive expected effect, these measures might also have a negative impact on economy, by reducing consumption and also by slowing down the potential investments.

Summary

After a detailed analyze around the world, UNCTAD (2009b) emphasis that three major aspects of the crisis can affect companies' investment plans (see fig. no.5) and also a country's economy:

- global economic downturn
- financial crisis and credit crunch
- exchange rate fluctuation

Fig. 5: Impact of various aspects of crisis on the companies investment plans



Source: UNCTAD (2009b)

IMF, WB and UNCTAD (among others) are forecasting that in 2010 the global economy will recover, but unequal and more slowly than it was expected. The present macro-imbalances started to show since 2004-2005 and were caused, on one hand, by exceeds in current liquidity and by high saving rates existing in several Asian countries - China, Japan, Malaysia, Philippines or in oil exporting countries - Saudi Arabia, United Arab Emirates, and, on the other hand, by current account deficits, chronic for USA and other European countries – UK, Spain, Ireland, Italy, Greece. Following September 15th 2008, many developed countries, such as the Benelux countries, France, Germany, Italy, Switzerland the United Kingdom and the United States have adopted large-scale bailout plans and rescue packages, especially for the financial or automotive sector.

The developed countries must face new challenges from emerging economies such as China, Brazil, Russia and India that have accumulated enough expertise and funds in order to seek for new investment opportunities abroad. As a consequence new FDI around the world and in Romania also, might emerge from these countries, rather than from Western Europe and US.

Furthermore, the problems the financial sector has been confronted with, led to new and more severe regulations that restrain access to credit for many companies. The cost of the credit became a limitative factor in companies and

households' decision to access new loans, as a result of the fact that an important part of the banking capital in Romania comes from Greece, Austria, Holland, France, countries also affected by the crisis and already reducing the financing available to their local Romanian branches. As the solvability of their parent-banks might be affected, such troubles would add up to their liquidity issues, influencing the Romanian economy in an indirect way, by reducing the FDI (both in banking and in non-financial sectors), which might cause these banks to increase the price for the credits offered to companies and households.

In the future, the challenges derive from the decline of investment flows (due the worsening economic environment) and from Romanian government policies in response to the crisis might have a negative impact on foreign investment flows. On one hand, foreign investors will be reluctant to invest in a country whose legal framework is unstable (because it is difficult to make accurate financial forecasts on long term) and whose wage taxes are so high (because the low-cost labor advantage is lost). On the other hand, local investors will seek for better tax conditions and will find out ways to avoid excessive taxation by setting up more companies in fiscal paradises such as Cyprus, which is anyway the 6th major foreign investor in Romania, according with the National Trade Register.

A long-run key of development thru foreign investments is to attract strategic-assets seeking FDI, by a friendly legislation regarding industrial and technological parks, where activities from domains such as bio-technology, nano-technology, non-polluting industries or genetics are encouraged. Romania developed such parks (see table no. 9) in every region, but only five of these are explicit dedicated to new technologies.

Table 9: Industrial parks and other zones

Region	No. of parks	New technology parks and related activities
Bucuresti - Ilfov	3	
Center	14	
Nord-West	8	Tetarom 1, 2 and 3 Industrial Park Cluj (High technology)
West	7	Timisoara Technological and Industrial Park – PITT (Software, IT & communication, electronics & electrotechnics, automotive and equipment; other industries using high and non polluting industries; design, R&D activities; logistical services.)

South-West Oltenia	3	
South Muntenia	16	
South-East	7	
North-East	5	Tehnopolis Science and Technology Park Iasi (Production, design, research ; business incubator; exhibitions, conferences, seminars , rent rooms, symposiums; consultancy, services, education)

Source: Romanian Agency for Foreign Investments ARIS (2010)

Taking into account that all technological parks are situated in urban centers with powerful technical universities, strategic partnerships between Romanian and foreign universities and companies should be strengthened in order to facilitate technological transfer that is necessary in setting up start-up companies in the above mentioned domains.

Bibliography

1. Correa, P., Iooty, M. (2009) - The Impact of the Global Economic Crisis on the Corporate Sector in Europe and Central Asia: Evidence from Firm-Level Survey, WB Enterprise note no.9
2. Ivan, M., V., Iacovoiu, V (2009)- The governmental policies that encourage the positive contributions of the foreign direct investments inflows, FABBV Conference, Bucharest, 2009. Available at:
3. www.asociatieaeconomistilor.ro/documente/Conferinta_FABBV_engleza.pdf
4. Isarescu, M. (2009)- Criza financiara internationala si provocari pentru politica monetara din România (International financial crisis and challenges for Romanian monetary policy), BNR.
5. Sumedrea, S. (2010) - The financial crisis and its implications on the households behaviour. The Romanian case, 17th International Economic Conference – IECS 2010 “THE ECONOMIC WORLD’ DESTINY: CRISIS AND GLOBALIZATION?”, Sibiu, Romania
6. Romanian National Bank (2008) –Foreign direct investments in Romania. Available at: www.bnr.ro
7. UNCTAD (2009a)- World Investment Report. Transnational Corporations, Agricultural Production and Development 2009. Available at: www.unctad.org/en/docs/wir2009_en.pdf
8. UNCTAD (2009b) - Assessing the impact of the current financial and economic crisis on global FDI flows, 2009. Available at:
9. www.unctad.org/en/docs/diaeia20093_en.pdf
10. Bucharest Stock Exchange (2010) – Indices and indicators. Available at: www.bvb.ro

11. Romanian Agency for Foreign Investments (2010) – Industrial parks and other zones. Available at: www.arisinvest.ro/en/locations/industrial-parks-and-other-zones/
12. National Trade Register (2010) - Statistical synthesis of data in the Central Register of Trade in April 30, 2010 – provisional data. Available at: www.onrc.ro/statistici/sr_2010_04.pdf

Contact

Silvia Sumedrea

Brasov, Colina Universitatii, no.1, IIIrd floor, AIII5

E-mail: silvia.sumedrea@unitbv.ro

Use of Financial Derivatives for Valuation of Company as a Management Support Tool

Kristián Sušina
Fininvest Group, s.r.o.

Igor Liberko
University of Prešov in Prešov, Faculty of Management

Abstract

Liquidation method of company valuation is one of valuation alternatives. The main attention of this article is focused on potential valuation of company in case of receiving information from the sector of operation and from in-house accounting, and on fact how to increase value of assets or decrease value of liabilities by using of financial derivatives, with positive influence on calculation of liquidation value as such.

Key words

company valuation, liquidation value, financial derivatives

Introduction

Considering situation of specific company and possibility of gaining by selling of property in situation when it is necessary, it is possible to appraise company's property so that way of effective property use can be chosen if company gets to bankruptcy or if property participation of new investor in the company arises.

1. Choosing of method

Here should be respected the fact, that investor, who is looking for capitalization of investment in company, does not have to use only revenue method; and there are also other methods applicable. For example in case of bankruptcy, it is possible to use liquidation method of company appraisal respectively of assets of the company under purpose of income from sale of property in case of liquidation of the company.

Liquidation value is being calculated in case of sequent property sale expectations, or in case of liquidation of company. It is possible to call this calculation of assets value an income method in case of gaining income by investor in case of liquidation.

Liquidation method of property appraisal is sometimes used by investors, who are deciding about entering into the company (asset input). If potential investors use this method for assets appraisal, adjusted for costs related to liquidation, they reach liquidation value of company and it is possible to use this appraisal when deciding regarding property entry into the company.

1.1 Liquidation value of property - calculation

Calculation of liquidation value is rather complicated from the practical point of view, as it requires estimation of company's` property absorption by the market, as well as value in money of this absorption.

Mathematically can be liquidation method formulated as summary of sale prices of company's property, reduced by an amount of liabilities and liquidation costs. Summary of sale prices represents nominal value of company's property multiplied by marketability ratio of liquidated company's assets.

$$\text{Sum of sale prices} = \text{NV (nominal value)} * \text{ratio}$$

$$\text{LV (liquidation value)} = \Sigma \text{ sale prices} - \text{liabilities} - \text{C of liquidation}$$

Marketability ratio of asset items belongs to interval $<0, 1>$. This ratio defines value of asset items, in which we would be able to sell them in case of liquidation of company. Higher ratio means higher marketability of assets of liquidated company.

Setting of marketability ratios in practice is rather complicated as it is very hard to specify volume, in which market will be able to absorb assets of company being liquidated. Ability of property selling in the market depends a lot on its condition and market use.

For example, if there goes to liquidation a company with strong competitors in the market, and there are more companies with the same scope of business and activities, then assets of company in liquidation would be more easily saleable than in situation where company has unique activities and scope of business or competition in the market is very low.

Duration and continuity of liquidation process is important due to creditors' liabilities fulfilling and ending of company's existence as a whole, but also due to costs of liquidation. Due to cost of liquidation it is reasonable to apply

liquidation method of assets appraisal, especially in case of quick liquidation progress expectation.

Main factors influencing liquidation value of company are as follows:

- Income from selling of assets (here is very important role of assets marketability ratio. If assets are evaluated in a correct manner, it is possible to expect relatively exactly ability of selling the assets, as well as amount of income from its sale)
- liquidation costs (here belong all expenses related to liquidation process – settling of debts, covering of expenses related to the liquidator's function, payment of tax liabilities and other)
- Incomes and expenses of regular course of business, if business activities continue during process of liquidation.

2. Financial tool implementation

Mining company should use hedging tool/financial derivative forward, by using of which would be able to hedge against changes of its input prices in the future.

Company will be able to plan its cash flow effectively, to hedge against price changes in the market and by this to decrease level of company's liabilities by using of financial tool – forward. This will have a positive impact on liquidation value of company.

If company uses forward tool for hedging against risks and in the end of year spot price is lower than forward price, company will gain already on difference of spot price and forward price.

It is not possible to define it explicitly, due to changing interest rates (influence of social, economical and political changes).

Hedging of input prices – energies and gas (for mining companies) – would represent decreased risk of irregular cash flow. By using of hedging tool company could be able to set price ranges with its suppliers in which input prices would move. If cash flow is set correctly and appropriate hedging tool is used (for example forward), company will avoid risk of inability to pay its liabilities and will not face extreme cases of existence threat due to debts.

If prices of inputs of company are hedged and market price of outputs has lasting growth tendency (for example iron ore), it will result into growth of incomes and profit of company, what in case of correct managing of company should lead to appreciation of company's assets. By creating of sufficient financial reserves company would be able to change technology stepwise, changing mining method from deep-mining to surface mining method. In such

case multiplying effect would not only rise profit of company, its efficiency and financial health, but also growth of mining efficiency for future periods would be constant.

Summary

Combination of financial derivative tool with company's appraisal method as is liquidation method creates ability to reach not only economical and economic results, but also ability of gaining competitive advantage in comparison with other companies with the same scope of business. Companies is able to optimize its cash flow by using of financial tools, and create added value and support investments to technologies as well, resulting into higher value of company's assets.

Bibliography

1. Hull, J., Introduction to futures and options markets, Prentice-Hall, New York 1991
2. Jilek, J., Finanční trhy, GRADA Publishing, Praha 1997
3. Jilek, J., Kapitálový a derivátový trh, Bankovní Institut, Praha 1998
4. Časopis FOW ročníky 1999, 2000, 2001 a 2002
5. www.fob.sk
6. www.etrend.sk
7. www.financnik.sk
8. www.derivativesone.com
9. www.forextrading.com

Contacts

Ing. Kristián Sušina
Fininvest Group,s.r.o.
Bačikova 8, Košice
E-mail: kristian@susina.sk

prof. Ing. Igor Liberko, CSc.
Faculty of Management
University of Prešov in Prešov
17. novembra 1, 080 01 Prešov, Slovakia
E-mail: liberko@unipo.sk

Analysis of Controlling in a Corporation

Ján Vrávec

University of Prešov in Prešov, Faculty of management

Abstract

This paper deals with the analysis of controlling in the corporations. Controlling is the process of evaluation and correction needed to make certain that the corporation fulfils its goals. Controlling also provides very important feedback for corporation management.

Key words

Controlling in the corporation, analysis of controlling

Introduction

Qualitative corporation controlling can be characterised as a system of rules, methods and tools in order to reach enterprise goals. Qualitative controlling is an effective way of corporation management based on accurate information serving for providing high profitability, liquidity and risk restriction. Analysis of controlling quality and effectiveness can become the first step to improve the management.

The natures of controlling analysis are simple questions that can offer certain new managerial views and principles in order to improve ways of enterprise management. Different managers, heads of offices and specialists can have different opinions on every evaluation task. Despite of this, the analysis of controlling quality and effectiveness allows to make own opinion on elaboration of managerial information in concrete subject. The evaluation questions are ordered on a basis of certain internal logic and their pointing is very simple and clear. It is possible to get 10, 7, 4, 1 or 0 points for every question depending on chosen answer. Important assumptions of controlling analysis success are naturally true answers on each question. Finally, it is important to sum points at the end of the analysis. Every question has the same weight. Corporation can be thus inserted into five basic groups on a basis of summarisation of obtained points. Every group involves verbal comments characterising controlling quality and effectiveness. On a basis of answers chosen for evaluated corporation, management can accept the effective decisions and actions to correct and improve controlling.

1. Controlling in corporation management

Controlling is an activity realised in separated steps – phases without which it would not function at all.

Qualitative controlling activity must consist of 5 following basic phases:

1. Elaboration of instructions, regulations and standards.
2. Choice of suitable tools and methods of management.
3. Measuring of real enterprise outcome.
4. Evaluation of performance, comparison with standards or plans.
5. Choice and realisation of measures, providing of corrections.

Each of these phases has its significance and is important for business entities; they must be consistent with each other.

<i>Corporation:</i>		points
a	It realises all phases of the qualitative business controlling activities.	10
b	It realises several phases of the qualitative business controlling activities.	7
c	It realises only performance measuring and accepting of measures.	4
d	It only accepts necessary measures.	1
e	It does not have to provide controlling.	0

2. Indicators of the economic and financial situation of corporation

Regular monthly or quarterly company analyses can indicate to managers worsen economic-financial company's situation. Precise profit statement analysis has rather weak expressing ability and does not have to provide relevant signs of the entities' economics.

The structure and content of Profit and lost statement does not allow accurate quantification of variable and fixed costs. The interest of the company should not be spreading out of secret data and information outside besides of very low amount of people determined usually by the top firm management.

<i>Company regularly analyses:</i>		points
a	revenues, sales, profit, profitability, fixed and variable costs.	10
b	revenues, sales, profit.	7
c	revenues, sales.	4
d	revenues.	1
e	no indicators.	0

3. Overview of net cash flow

Cash flow (CF) characterises courses and results of the company reproduction process. In practice, there are many enterprises with lack of cash to purchase material, for repayment of wages, dividends, etc. The aim of CF controlling is to avoid these payment problems and thus it fulfils non-substitutable role in the enterprise finances management. The effective functioning of CF controlling is conditioned by qualitative methods and tools usage as well as by quality firm management. It is possible to eliminate several liquidity risks and to decrease the other ones by correct use of methods and tools. Basic assumption of providing the enterprise liquidity is to analyse and harmonise the revenues and expenditures from short-term and long-term period, it means to do CF management.

<i>Should CF drop in company:</i>		points
a	it is found out within several weeks or months in advance.	10
b	it is found out immediately when it happens.	7
c	it is found out next month after the analysis.	4
d	it is found out accidentally or never.	1
e	it is not found out since company does not evaluate CF.	0

4. Causes of cash flow decreases

If cash flow decreases in a company it is necessary to transfer this information to company management. The aim of managers should be to change this unfavourable development as soon as possible and to find causes of the problem. Decreases in cash flow creation could be caused by drop in product sales prices of the enterprise, or by direct or indirect costs growth. There are more factors influencing cash flow decreases at once. If company management wants to propose correct actions it should evaluate each of these influences.

<i>Is company able to determine what the share of drop in sales, drop in product price, growth of direct and indirect costs is on cash flow decreases?</i>		points
a	Yes, it is able to divide these influences and thus to analyse them regularly.	10
b	Yes, it is able to divide these influences but analyses them only operatively.	7
c	Yes, it is able to determine cash flow decreases, but not shares of each influence.	4
d	It is not determined in a company, there are no sources.	1
e	It is not determined in a company, since it is not important information for managers.	0

5. Relation of direct and overhead costs

Division of costs on direct and overhead costs is important for managers from the view of setting the optimal sale's price. If enterprise managers want their product (goods, services) to reach at least 20% profitability, they must preciously recognise direct costs and to sum them with the overhead ones. Should overhead costs make a significant part of price it might be inaccurate to set a price.

On the other hand, the bigger share of direct costs, the more precisely price is set and thus the more precise managers know their manoeuvre position in discussing the price. Modern controlling methods allow to increase share of direct costs instead of overhead ones.

<i>What percentage from total company costs can be directly set on products:</i>		points
a	more than 80%.	10
b	60% - 80%.	7
c	40% - 60%.	4
d	less than 40%.	1
e	not important.	0

6. Final calculation of company costs

There are usually 60% - 80% of direct costs and about 20% - 40% of overhead costs involved in total costs in the entrepreneurial subject. The overhead costs are managed by one-year plan. Direct costs cannot be managed without final calculations, because in case of final calculations it is also analysed how much of direct costs (material, wages...) were consumed, and if they were not consumed more than planned.

If these final calculations are not provided, it is not possible to determine how much the production costs. If company management does not require final calculations, it does not manage about 60% - 80% of company costs. Final calculations result in effectiveness and savings of significant part of costs.

<i>Final calculations of direct and overhead costs:</i>		points
a	company realises every month and includes also confusions...	10
b	company realises every month but it does not evaluate confusions.	7
c	company realises irregularly on managers require.	4
d	company does not realise because it is difficult and overreaches its capacity.	1
e	company does not realise, it is not important.	0

7. Estimation of the company's economic result

Company managers should always be informed about probable company's economic result at the year-end. In case managers obtain this information during the year, they can effectively influence economic result, e.g. to decrease profit because of taxes, or to increase profit by savings. If, for example, it is clear in the first half of the year that planned profit will not be reached at the year-end, there is still enough time to rescue something. The other case is when company reaches high profit by November but profit starts to drop rapidly in December. Management may not be able to influence such development.

<i>Does company management estimate the economic result?</i>		points
a	On a basis of prognoses provided by controlling analyses with +/- 10% accuracy.	10
b	On a basis of prognoses made on require and not on controlling analyses.	7
c	Obtained economic result is of managers' interest, but they do not always get necessary analyses.	4
d	Obtained economic result at year-end is not important for managers during the year.	1
e	The economic result is not determined continuously.	0

8. Identification of key customers

Many companies usually have 20% of costumers making up to 80% of profit. Company should have a special approach to these key costumers and it must create them special conditions. It is very important for company managers to generate such activities and to communicate in such way that would keep these key costumers amongst the company's costumers. It is essential for management to know what these customers are in order to work and communicate with them in a special way.

<i>Is company management able to identify about 20% of customers that create up to 80% of company profit?</i>		points
a	Yes, it is. It offers a special attention and advantages to them.	10
b	Yes, it is and gives them special attention not to lose them.	7
c	Yes, it is, but does not give them special attention.	4
d	It does not know them, but would be able to recognise them.	1
e	It does not know them, it is not important.	0

9. Revenue analysis of key customers

Company revenues enough preciously reflect decreases or increases in company products' interest. Management can discover causes in drop or growth of the company revenues. It is possible to find out very preciously serious information by providing the regular analysis and revenue evaluation in concrete customer. Company management can discover if given customer:

- shifts its interest into competitive subjects,
- decreases volume of product consumption of our company and replaces them by substitute products,
- leaves the market and company cannot calculate with such orders as in the past,
- or, on the other hand, its significance growths and it is worth to give it a special attention

<i>In case of significant drop in key customer revenues, company management will:</i>		points
a	determine what is going on ahead and it will not be surprised with such development.	10
b	determine it immediately after realisation of regular monthly analyses.	7
c	determine it after longer period than one month on a basis of analyses and evaluations.	4
d	determine it accidentally after several months.	1
e	not determine it and it does not consider it as important, either.	0

10. Analysis and evaluation of marketing effectiveness

Marketing used to be an aggressive business policy aimed to make customer buy offered product. Today's marketing is an opposite. Business success is based on substantial recognising of customer needs, his requirements, and ways of thinking and making decisions.

Customer has become a central point of interest of successful companies. Regular analyses and quality and effectiveness evaluations allow to determine whether concrete marketing mix is the right one.

<i>Quality and effectiveness of marketing, the company management:</i>		points
a	analyses in regular intervals and accepts necessary actions, corrections and innovations.	10
b	analyses and evaluates according to the needs and accepts necessary actions.	7
c	analyses and evaluates only in case of revenues or profit drops.	4
d	evaluates and judges rarely.	1
e	does not consider as important.	0

Summary

It is important to avoid problematic and critical areas in order to maintain qualitative and effective functioning of controlling in a company. Underestimating of controlling significance can have negative impacts on company. The following scales of analysed company can help managers to accept effective decisions and actions to correct and improve controlling.

- **76 – 100 points:** Controlling is realised on a high professional level within the company. Controlling significantly contributes to dynamic development of the entrepreneurial subject and creates qualitative basis into the future. Though, managers should keep searching for another chances and opportunities for controlling development and improvement.
- **51 - 75 points:** Controlling is provided on fairly good level within the company. On the other hand, there are many opportunities for improvement, better quality and innovations. Some of the lacks and reserves certainly discovered also this model of controlling quality and effectiveness judgement. Controlling improvement can contribute to further company development.
- **26 - 50 points:** Ineffective controlling indirectly slows down further company growth. Management unfortunately does not recognise some important data about the company. Without relevant and accurate information company cannot be managed qualitatively and effectively. In case subject is doing badly and its results are worsening, it is necessary to find one of the causes in wrong controlling functioning. If the company keeps develop and prospers despite of this, than it is due to the other strengths (e.i. qualitative and unique product) or there is no strong competition in given segment.

- **0 - 25 points:** Controlling does not fulfil any basic functions. Company has only little chances for long-term development and prosperity. Nowadays, when information, knowledge and innovations are of key importance for the company management, subject cannot succeed in tough competition fight without controlling. Evaluated company does not have these information and knowledge, it is not able to propose correct product price, and effectively react on many impulses brought by every-day life, because it has no information about them.

Bibliography

1. ADAMIŠIN, P., DEMO, M., HRONEC, O., TÓTHOVÁ, M.: Udržateľný rozvoj. 1. vyd. Nitra: Slovenská poľnohospodárska univerzita, 2007. 440 s. ISBN 978-80-8069-826-3.
2. FRANKOVSKÝ, M. - IŠTVANÍKOVÁ, L. - ŠTEFKO, R.: Strategies of behavior in demanding managerial work situations in social context. In: *Studia psychologica*. Roč. 51, č. 2-3 (2009), s. 231-236. ISSN 0039-3320.
3. JENČOVÁ, S. - RÁKOŠ, J.: Podnikové financie. 1. vyd. Prešov: Prešovská univerzita v Prešove, Fakulta manažmentu, 2009. 199 s. ISBN 978-80-8068-944-5.
4. ŠIMKOVÁ, H. - ŠEBOVÁ, M. - HORŇÁKOVÁ, R.: Improvement of employees' corporate training in the company Topvar Brewery Inc. In: *Ekonomie a management*. Vol. 11, no. 1 (2008), p. 53-59. ISSN 1212-3609.
5. SUHÁNYIOVÁ, A. - VRAVEC, J.: A nyugdíjreform gazdasági aspektusai Szlovákiában. In: *Szakma : Számvitel-adó-könyvvizsgálat*. vol. 49, no. 4 (2007), p. 187-191. ISSN 1419-6956.

Contact

Ing. Ján Vracec, PhD.
 Faculty of management
 Prešovská university in Prešov
 17. novembra 1, 080 78 Prešov
 E-mail: vravec@unipo.sk

Analysis of the Financial Indexes of the Agrarian Enterprises Efficiency in a Legal Form of Cooperative Farm Functioning in the Territory of the Slovak Republic

Zuzana Závarská – Mariana Dubravská

University of Prešov in Prešov, Faculty of Management

Abstract

Globalization perceiving as an economic phenomenon brings important changes expressing not only on macroeconomic but also microeconomic level. Some changes influence on the business environment in positive way, some on the other hand, in negative way. One of the relevant globalization processes consequences is competitive environment sharpening and subsequent pressure on the business efficiency. Proponed paper offers analysis of the financial efficiency of the agrarian enterprises in a legal form of cooperative farm that function on the territory of Slovak Republic. Fundamental aim of the paper is to define key indicators of the financial efficiency that influence in a positive way growth of the business market value as one of the possible top business goals by utilizing correlation analysis in line with Shareholder Value concept.

Key words

Financial performance, key indicators, correlation

Introduction

Not only globalization brings clear advantages, it also brings disadvantages. Slovak agrarian enterprises also perceive impact of globalization tendencies - escalating competitiveness in a branch forces them to manage their efficiency. Financial theory states that there exists direct connection between efficiency in financial and non-financial perspective. Accordingly consolidation of the agrarian enterprise financial efficiency will support also efficiency measured by non-financial indicators with a high probability.

Issue of the measurement of financial efficiency is a theme of uncreasing discussions. In general, traditional financial indicators within the context of changing view of the enterprise influenced by globalization processes are not sufficient for measurement of financial efficiency.

Hereby, range of indicators was made up by several modern financial indicators resulting from a conception of shareholder value management (Kisefáková, 2008).

The more financial indicators characterise financial efficiency of enterprise, the more authentic the result of analyse is. However, with the raising number of observed indicators, the risk of overloading by accounting information uprises. Therefore, it is advisable for the enterprise to monitor the list of indicators that would authentically reflect financial efficiency of the enterprise.

The aim of the proponed poster is to set a list of indicators of the agrarian enterprises financial efficiency by which it would be possible to identify correctly the efficiency of the analysed agrarian enterprise.

Methods

Proponed poster was elaborated as a part of project VEGA Nr. 1/0403/09 „Analysis of the basic economic factors and their use by agriculture restructuralization and by providing of sustainable development of Slovakia“. Accounting and additional data about agrarian enterprises were obtained from information letters of Ministry of Agriculture on CD in form of MS ACCESS 2007 Database (MASR, 2008). Enterprises in a form of cooperative farm that are showing profit for current accounting period with nonnegative equity were filtrated from objective database. Accounting data about these enterprises were drawn in a year 2008. All 344 enterprises in selected sample charge in a system of double-entry accounting

It needs to mention use of table processor MS EXCEL 2007, that made easier to count individual financial indicators in the selected sample, and also statistical software SPSS for Windows 15.0[®]. From the scientific methods, financial analysis methods, mathematical and statistical methods were used.

On the base of the theoretical knowledge from the measuring of the enterprise financial efficiency following financial efficiency indicators were chosen: production force (EBIT A), return on assets (EAT A and EBET A), return on equity (ROE), return on revenues (EBIT/R and EAT/R), assets turnover (R/A), added value on revenues ratio (PH/R), added value on assets ratio (PH/A), economic value added on net operational assets ratio (EVA/NOA) and liquidity indicators – together 14 financial indicators. To calculate individual indicators, general formulas were used (e.g. Kotulič et al., 2007; Zalai et al., 2007). Method according to Mařík et al. (2005) was applied by modification of assets on the net operational assets and by economic value added calculation. The revenues were expressed numerically as the revenues from the sales of own products and services.

In the following, Kolmogorov-Smirn test was realised by statistical software on the result of which it is possible to predicate that except for the

assets turnover indicator (R/A) by all other 13 indicators it is possible to refuse zero hypothesis of normal distribution on the significance level 5 %. According to this, following correlation coefficients – Kendall's tau b and Spearman's rho (Hendl, 2006) were chosen. It was calculated descriptive statistics for individual financial indicators. As financial indicators don't have normal distribution, descriptive statistics was completed by percentiles that have in this case more predicative ability than average values.

Results and discussion

After calculation of the chosen financial efficiency indicators, descriptive characteristics of the individual indicators were calculated (table 1). Except for assets turnover indicator by which zero hypothesis of normal distribution was left for further searching, in the case of the other 13 indicators percentiles have higher predicative ability than averages.

In general, it is possible to draw a conclusion that by alignment of the enterprises according to individual indicators the enterprise that is in the middle of the sequence shows production force 2,58 %, return on assets (after taxes) 1,3%, return on assets (before taxes) 1,59 %, return on equity 2,15 %, return on revenues (before taxes and interests) 7,53 %, return on revenues (after taxes) 3,75 %, assets turnover 0,39 %, added value on revenues ratio 25,9 %, added value on assets ratio 10,11 %, economic value added on net operational assets ratio -26,25 %, current ratio 1,79 (optimum range is from 1,5 till 2,5), acid test 0,74 (optimum is from 1,0 till 1,5), cash ratio 0,17 (optimum is between 0,2 and 0,8) and financial insolvency 1,71 (if the indicator is higher than 1, than liabilities exceed receivables).

While average enterprise shows indicators of profitability and liquidity (except for financial insolvency) higher than enterprise that is in the middle of sequence (50 %-ual quartile), by other indicators is the situation opposite.

In terms of the shareholder value theory, it is possible to perceive it as negative economic value added on net operational assets ratio. Even last 5 % of the enterprises of the selected sample sequenced upwardly according to the efficiency show this indicator over -8,99 %. Maximum value of this indicator is 3 %. Values of the return on equity can be characterised as relatively low, too. Only last 10 % of the enterprises show ROE higher than 13,57 %.

Table 2 records correlation coefficients between individual financial efficiency indicators. Kendall's coefficients of correlation tau b are noted in the lower part on the left. Spearman's correlation coefficients rho are noted in the top part on the right. The values of these indexes are distinguished in colour according to explanatory notes below the Table 2. Indexes that are

higher than 0,2 are marked by yellow colour. Indexes without confirmed significancy remained unmarked.

Table 1: Descriptive statistics of the financial efficiency indicators

	N	Minimum	Maximum	Mean	Std. Deviation	Percentiles						
						5	10	25	50	75	90	95
EBIT/A	344	,00	,53	,0447	,05596	,0058	,0088	,0143	,0258	,0519	,0901	,1346
EAT/A	344	,00	,42	,0305	,04802	,0005	,0011	,0035	,0130	,0375	,0716	,1011
EBET/A	344	-,01	,53	,0362	,05643	,0014	,0023	,0057	,0159	,0437	,0797	,1160
ROE	344	,00	,95	,0572	,10629	,0007	,0016	,0057	,0215	,0596	,1357	,2330
EBIT/R	342	,01	5,57	,1765	,44053	,0173	,0228	,0385	,0753	,1569	,3279	,5408
EAT/R	342	,00	4,56	,1207	,36831	,0016	,0039	,0109	,0375	,1000	,2041	,3722
R/A	344	,00	1,39	,4098	,23211	,0838	,1250	,2390	,3908	,5609	,6774	,8016
PH/R	342	-11,29	1,25	,0217	1,11021	-,9707	-,3194	,1196	,2590	,3719	,4513	,5299
PH/A	344	-1,86	,39	,0839	,17933	-,1159	-,0402	,0344	,1011	,1772	,2461	,2855
EVA/NOA	344	-8,02	,03	-,3337	,46643	-,6688	-,4657	-,3522	-,2625	-,2011	-,1342	-,0899
current ratio	344	,08	51,14	2,7645	3,79823	,6173	,7981	1,1601	1,7900	3,0801	5,4059	6,8654
acid test	344	,02	51,14	1,4424	3,19087	,1441	,2322	,3958	,7418	1,3627	2,6865	4,6670
cash ratio	344	-,02	51,05	,8184	3,06567	,0026	,0050	,0314	,1651	,5405	1,8659	3,0008
financial insolvency	340	-,09	278,67	4,3869	16,52228	,3199	,5024	,9170	1,7147	3,5738	6,4688	12,9587

Source: self-elaboration, data gained from information letters of the MASR, used software: SPSS for Windows 15.0[®]

Table 2: Correlation matrix of the financial efficiency indicators

tau b / rho		EBIT/A	EAT/A	EBET/A	ROE	EBIT/R	EAT/R	R/A	PH/R	PH/A	EVA/NOA	current ratio	acid test	cash ratio	financial insol.
EBIT/A	coef.														
	Sig.														
	N														
EAT/A	coef.														
	Sig.														
	N														
EBET/A	coef.														
	Sig.														
	N														
ROE	coef.														
	Sig.														
	N														
EBIT/R	coef.														
	Sig.														
	N														
EAT/R	coef.														
	Sig.														
	N														
R/A	coef.														
	Sig.														
	N														

tau b / rho		EBIT/A	EAT/A	EBET/A	ROE	EBIT/R	EAT/R	R/A	PH/R	PH/A	EVA/ NOA	current ratio	acid test	cash ratio	financial insolv.
PH/R	coef.	-.036	,000	,001	-.037	-,173(**)	-,106(**)	,264(**)	1,000	,822(**)	,631(**)	,100	-,055	-,114(*)	-,163(**)
	Sig.	,326	,994	,985	,309	,000	,003	,000	,000	,000	,000	,065	,309	,035	,003
	N	342	342	342	342	342	342	342	342	342	342	342	342	342	339
PH/A	coef.	,078(*)	,093(**)	,089(*)	,055	-,240(**)	-,103(**)	,582(**)	,660(**)	1,000	,620(**)	,109(*)	-,038	-,112(*)	-,156(**)
	Sig.	,030	,010	,013	,131	,000	,004	,000	,000	,000	,000	,043	,483	,037	,004
	N	344	344	344	344	342	342	344	342	344	344	344	344	344	340
EVA/NOA	coef.	,089(*)	,164(**)	,191(**)	,112(**)	-,043	,073(*)	,218(**)	,457(**)	,453(**)	1,000	,376(**)	,287(**)	,146(**)	-,339(**)
	Sig.	,014	,000	,000	,002	,233	,045	,000	,000	,000	,000	,000	,000	,007	,000
	N	344	344	344	344	342	342	344	342	344	344	344	344	344	340
total liquidity	coef.	,030	,127(**)	,141(**)	,027	-,001	,110(**)	-,007	,075(*)	,077(*)	,272(**)	1,000	,845(**)	,714(**)	-,342(**)
	Sig.	,411	,000	,000	,460	,973	,002	,838	,039	,033	,000	,000	,000	,000	,000
	N	344	344	344	344	342	342	344	342	344	344	344	344	344	340
normal liquidity	coef.	,091(*)	,181(**)	,196(**)	,101(**)	,089(*)	,183(**)	-,060	-,036	-,026	,202(**)	,659(**)	1,000	,819(**)	-,469(**)
	Sig.	,012	,000	,000	,005	,015	,000	,099	,317	,467	,000	,000	,000	,000	,000
	N	344	344	344	344	342	342	344	342	344	344	344	344	344	340
available liquidity	coef.	,118(**)	,215(**)	,220(**)	,141(**)	,134(**)	,234(**)	-,080(*)	-,072(*)	-,072(*)	,104(**)	,531(**)	,635(**)	1,000	-,158(**)
	Sig.	,001	,000	,000	,000	,000	,000	,026	,046	,045	,004	,000	,000	,000	,003
	N	344	344	344	344	342	342	344	342	344	344	344	344	344	340
financial insolvency	coef.	,044	-,005	-,014	,070	,064	,013	-,025	-,116(**)	-,109(**)	-,238(**)	-,241(**)	-,348(**)	-,112(**)	1,000
	Sig.	,226	,900	,698	,053	,079	,719	,500	,001	,003	,000	,000	,000	,002	,000
	N	340	340	340	340	339	339	340	339	340	340	340	340	340	340

<i>Explanatory notes:</i>		**	Correlation is significant at the 0.01 level (2-tailed)
	unconfirmed correlation	*	Correlation is significant at the 0.05 level (2-tailed)
till 0,3	weak correlation	tau b	Kendall's correlation coefficient
from 0,3 till 0,5	moderate correlation	rho	Spearman's correlation coefficient
from 0,5 till 0,7	medium correlation	Sig.	Significance level
from 0,7 till 1	strong correlation	N	Number of enterprises in the selected sample

Source: self-elaboration, data gained from information letters of the MASR, used software: SPSS for Windows 15.0®

Production force of the enterprise is considered to be one of the top indicators from the point of the financial theory whereas it doesn't consider financial structure of the enterprise. This indicator is in a strong correlation with following indicators: EAT/A, EBET/A, ROE, EBIT/R a EAT/R. Whereas the owner of the enterprise watches the evaluation of the himself enclosed capital, it is appropriate to leave indicator ROE in the file of financial efficiency indicators. Indicator ROE shows strong positive correlation with EAT/A and EBET/A (that are also in a strong correlation with production force). It seems to be purposeful to exclude these two indicators from the file of indicators. Indicator EAT/R is among the indicators in stronger correlation with ROE than with EBIT/R. Therefore, indicator EBIT/R should be a part of the file of efficiency indicators. From the six indicators of the profitability three remain in a file - **EBIT/A, EBIT/R a ROE**. Whereas the first two don't consider the financial structure of the enterprise, indicator ROE directly depends on the level of the enterprise equity.

Indicator PH/A is in a strong correlation with PH/R. Simultaneously, correlation between PH/R and R/A is 0,763**, while the correlation between PH/R and R/A is 0,377**. Therefore it is more applicable to give up monitoring PH/A and to monitor PH/R and R/A in preference. **PH/R a R/A** are joined to the higher highlighted indicators.

Indicator EVA/NOA is not in a strong correlation with other indicators even though the strongest correlation is with PH/R (0,631**) and PH/A (0,620**). Therefore, indicator **EVA/A** should also be a part of the file of financial efficiency indicators.

Liquidity indicators (except for financial insolvency) are in mutual strong correlation (higher than 0,714**). Therefore **total liquidity** that doesn't show statistically significant correlation with production force (EBIT/A), can be chosen from these indicators. The last indicator in the file of efficiency indicators should be the indicator of the **financial insolvency** that is with various indicators in non-significant correlation, eventually in weak or moderate correlation.

Summary

Analysed selected sample of the agrarian enterprises in the legal form of cooperative farm was created by enterprises showing profit in a current accounting period (year 2008) and simultaneously showing positive equity. Part of the research was to find out if the agrarian enterprises create value for their owners. Results show that almost all enterprises mow down the value from the point of view their owners. Almost all enterprises show negative economic value added. The highest economic value added on the net operational assets ratio is 3 %.

Besides, profitability indicators show relatively low values except for return on revenues that is in the case of 50 %-ual quartile on the level of 7,53 % (EBIT/R). Positively can be appreciated liquidity indicators that in the case of the average values and 50%-ual quartile are included in the optimal interval.

Financial efficiency of the enterprise can be measured by various financial indicators – traditional and modern. With the growth of the number of observed indicators, reliability of the results of evaluation of the enterprise financial efficiency increase but, on the other hand, solution gets more complicated. Realised research was oriented on the identification of the relations among financial indicators and consequently on the identification of the key indicators of the enterprise financial efficiency. On the basis of the results of the correlation analysis of the financial efficiency indicators, indicators, that can be advised to the financial managers as a key ones by financial efficiency management, were selected. From the primal 14 analysed indicators following 8 indicators were chosen:

- 4 profitability indicators: EBIT/A, EBIT/R, ROE a PH/R,
- 2 liquidity indicators: total liquidity and financial insolvency,
- 1 activity indicator: R/A and
- 1 modern indicator: EVA/NOA.

To summarize it is necessary to emphasize that financial indicators offer primarily a sight to the past and don't offer sufficient information about possible development or perspective of the enterprise. Therefore, the file of

the key indicators should be completed even by non-financial indicators that create dynamic view about the competitive position of the enterprise on the market and so assist to connect short-term efficiency with the long-term strategic vision of the enterprise.

Bibliography

1. BOBÁKOVÁ, V. et al. 2006 *Finančné rozhodovanie podniku*. Bratislava : Ekonóm, 2006, 336 s. ISBN 80-225-2167-1
2. BUTORACOVÁ ŠINDLERYOVÁ, I. 2007. Koncepcie podniku 21. storočia. In: *Moderné prístupy k manažmentu podniku*. Zborník príspevkov zo 17. medzinárodnej vedeckej konferencie. Bratislava: STU v BA, 2007, s. 116 – 122. ISBN: 80-227-2750-1
3. HENDL, J. 2006. Přehled statistických metod zpracování dat : Analýza a metaanalýza dat. Praha : Portál, s.r.o., 2006, 583 s. ISBN 80-7367-123-9
4. MPSR 2008. *Informačné listy Ministerstva pôdohospodárstva Slovenskej republiky* [CD nosič]
5. KISELÁKOVÁ, D. 2008. Vplyvy ekonomickej integrácie Slovenska do Európskej únie na finančnú situáciu, financovanie a rozvoj malých stredných podnikov. Prešov: Prešovská univerzita v Prešove, Fakulta manažmentu, 2008. 172 s. ISBN 978-80-8068-794-6.
6. KISLINGEROVÁ, E. et al. 2004. *Manažerské finance*. 1. vyd. Praha : C. H. Beck, 2004, 714 s. ISBN 80-7179-802-9
7. KOTULIČ, R., KIRÁLY, P., RAJČÁNIOVÁ, M. 2007. *Finančná analýza podniku*. Bratislava : IURA edition, 2007. 206 s. ISBN 978-80-8078-117-0.
8. MAŘÍK, M. – MAŘÍKOVÁ, P. 2005. *Moderní metody hodnocení výkonnosti podniku*. EKOPRESS, s.r.o. 2005. ISBN 80-86119-61-0
9. NEUMAIEROVÁ, I., NEUMAIER, I. 2002. *Výkonnost a tržní hodnota firmy*. Praha : Grada, 2002, 215 s. ISBN 80-247-0125-1
10. ZALAI, K. et al. 2007. *Finančno-ekonomická analýza podniku*. 5. vyd. Bratislava : Sprint vŕfa, 2007, 355 s. ISBN 978-80-89085-74-1

This article is published as one of the outputs by the grant VEGA 1/0403/09

Contacts

Ing. Zuzana Závarská, PhD.
Department of Economic Sciences and Economy
Faculty of Management, University of Prešov in Prešov
Ul. 17. novembra 1, Prešov
E-mail: zavaraska@unipo.sk

Ing. Mariana Dubravská, PhD.
Department of Economic Sciences and Economy
Faculty of Management, University of Prešov in Prešov
Ul. 17. novembra 1, Prešov
E-mail: bujnakova@unipo.sk

2. Management and Selected Applications

Human Resources in Implementation Process of Knowledge Management and in the Context of Total Rewards Model

Viktória Ali Taha – Daniela Čverhová – Monika Tomčíková
University of Prešov in Prešov, Faculty of Management

Abstract

This article deals with human resources as an essential prerequisite of economic success of enterprises in connection with the introduction of knowledge management in the context of Total Rewards Model. Human capital, which is along with the technologies applied in the production process has a direct impact on the economic performance of the organization. Important for the human capital development is motivation, which significantly affects performance and employee satisfaction. Therefore, an important factor contributing to the success of implementing knowledge management in organization is change of motivational practices. As a very promising motivation strategy appears to be Total Rewards. Implementation of this strategy implies a shift from traditional views that wages are sufficient for the employee satisfaction and motivation. This model represents broader view, which, besides the traditional salary focuses on other benefits which employee receives in the Work package.

Key words

Change, development, knowledge, knowledge management, human capital

Introduction

The present is characterized by massive penetration of knowledge into economic activities of organizations. Economic success of individual economic entities is increasingly dependent on the effective use of knowledge and skills. The pace of discovery of new knowledge is extremely high, that is why most of them outdate very quickly. This leads to the need for organizations to pay particular attention to knowledge management and continuous learning process.

Knowledge management requires a new perspective on business management. At the forefront of corporate interest rather than financial and physical capital is human capital and the knowledge that people carry in their heads. They represent a new kind of company's wealth.

To the knowledge become crucial performance of the organization, it is necessary change people's thinking and corporate culture. The role of business entities is to create appropriate conditions for employees to promote the exchange and sharing of knowledge between them.

One of the most important, but the most difficult element of knowledge management are human resources. In this regard, we noted and will be given the right elements knowledge management, which is directly related to employee and personal perspective.

1. Knowledge and knowledge management

Knowledge management is characterized by Kelemen et al. (2007, p. 218) as the sum of processes and approaches that lead in the organization to such knowledge-sharing, which enables every individual or team understand them into a sufficient depth and good context in order to effectively apply this knowledge in deciding and implementing innovations.

Key elements of a knowledge management are: people, process, technology. While technology is possibly the easiest and quickest to implement, tapping into cultural and people issues will most likely take longer and cost more. The true benefits will only be realized when people-related issues are addressed and kick in (Bhatt, 2010).

Implementation of knowledge management is a complex and long-term issue. In the context of knowledge there is strong emphasizes on the importance of tacit knowledge. This relates, inter alia, to the fact that access to explicit knowledge today is very simple and possible for everyone and thus creation of unique products or innovations depends mainly on tacit knowledge.

The literature is home to numerous implementation processes of knowledge management. Šujanová - Pavlendová (2000) in their contribution "A few myths about knowledge management", inter alia, state that:

- introduction of knowledge management is a long-term process,
- the success of knowledge management depends on the behaviour of employees and corporate culture,
- source of knowledge, creators, enforcers and carriers of the knowledge are and remain people.

In current business practice is almost inevitable the introduction of knowledge management. Companies in implementing the knowledge management may encounter some problems and obstacles. According to Bureš (2007) the introduction of knowledge management in business can be

complicated because there are a number of barriers which must be removed during the implementation. Some of the most common barriers are:

- A feeling of lack of the power - to provide knowledge to someone else mean to loose the respect and influence,
- General resistance to any change in the company, which may be caused by fear of something new,
- The feeling of insecurity stemming from the idea of sharing their knowledge, or fear of losing the (work) position,
- Lack of motivation of employees, who consider work with knowledge as extra work and that is why require adequate assessment,
- Bad relationships – in situation of unfriendly and hostile relationship between employees is difficult to lead them to exchange knowledge,
- Unawareness of corporate culture - employees often have difficulty naming the core values, needs and goals (Bureš, 2007).

2. Corporate culture and knowledge

One of the important steps in implementing changes is its anchoring in the corporate culture. Therefore important and essential is to understand the culture in the organization and then identify the factors of the change which seem to be the most appropriate and effective in this culture. Corporate culture includes the standards of conduct and shared values of a certain group of people. Culture has a powerful impact and can be very difficult to change it. The new procedures and implemented elements developed in the change process should be consistent with the culture.

In the process of introduction and implementation of knowledge management is necessary to create a corporate culture that will contribute to maintaining knowledge in organization, i.e. environment in which employees will be able and willing to maximize their skills in favour of the company.

Davenport, De Long and Beers (2000) in this context use the term *Knowledge-Friendly Culture*, which is very difficult to create (if it does not already exist). According to these authors, organizational culture should have several components with regard to knowledge:

- People have a positive orientation to knowledge - employees are bright, intellectually curious, willing and free to explore, and executives encourage their knowledge creation and use.
- People are not inhibited in sharing knowledge - they are not alienated or resentful of the company and do not fear that sharing knowledge will cost them their job.
- The knowledge management project fits with existing culture.

A culture with a positive orientation to knowledge is one that highly values learning on and off the job and one in which experience, expertise and rapid innovation supersede hierarchy. The firm attracts and hires people who reinforce the positive orientation. It is possible, of course, to pursue knowledge at the expense of work-related objectives, which could be a downside of an overly knowledge-oriented culture.

3. Motivation and knowledge management

One of the barriers to implementing knowledge management is insufficient employee motivation. Generally, employees consider the dissemination of the knowledge to colleagues extra work because it requires expending more effort and time needed for documentation and communication. Therefore most of them expect some form of compensation and rewards. In addition, some employees are reluctant to transfer the acquired knowledge to their colleagues. It is related to their fear of loss of earnings, which binds to their specific knowledge. In some case they fear that the reward for work performed on the basis of their knowledge will get someone else. Finding an appropriate form of motivation for sharing knowledge is therefore important and difficult element.

According to Davenport, DeLong and Beers “the motivation to create, share, and use knowledge is an intangible critical success factors for virtually all knowledge management projects”. Finding new sources of motivation to increase participation in knowledge-sharing system is a constant challenge. Motivational aids or incentives cannot be trivial. Motivational approaches to encourage more effective behaviour should be long-term and should tie in with the general evaluation and compensation structure. If an organizational chooses short-term incentives, they should be highly visible (Davenport – De Long – Beers, 2000, p. 102).

Total Rewards

Companies are trying to promote in the market through the development and implementation of various strategies, such as total rewards strategy. Implementation of this concept by Stoskopf (2004) implies a shift from traditional views that the wages are sufficient for employees' satisfaction and motivation. This new concept is advanced thinking and a broader view, which besides the traditional salary focuses on other benefits that the employee receives in a Work package: personal development, employment and career opportunities, work environment, culture, all direct and indirect benefits.

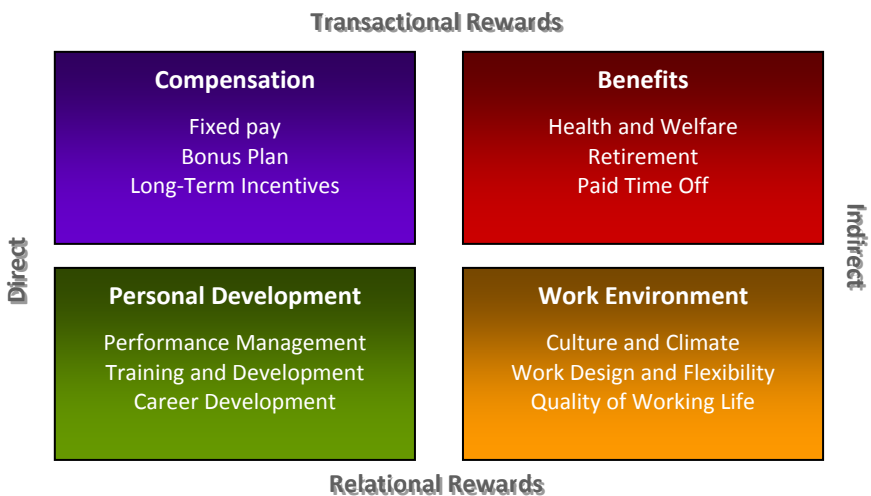
All of the tools available to the employer that may be used to attract, motivate and retain employees. Total rewards include everything the employee perceives to be of value resulting from the employment relationship.

Throughout history, employers have been challenged with attracting, motivating and retaining employees. From the simplest barter systems of centuries past to the current complex incentive formulas of today, the organizational premise has been the same: Provide productivity and results to our enterprise and we will provide you with something of value.

Total reward is a concept that looks beyond the standard forms of remuneration, such as salary, and recognises the role that many of the less tangible aspects of an employment package can play in motivating and engaging staff. These factors include non-cash benefits, training and career development, as well as the workplace culture and working environment (Sullivan, 2009).

Rating competitiveness and attractiveness of jobs becomes more difficult, because companies have to offer wider opportunities to develop his employees with – e.g. career opportunities and personal development, a suitable work environment and positive corporate culture.

Fig. 1: Depicting Total Rewards



Source: see KANTOR, R. – KAO, T. 2004

4. The development of human resources

The issue of human resource development becomes extremely important area of management. Human capital is one of the determinants of economic growth and, together with research and development is considered one of the drivers of knowledge accumulation and endogenous growth.

People represent the real value for organizations and one of the most important assets whose value increases over time. It is necessary, likewise other property, to raise the value of the human resources. Investment in people in organizations and enterprises is about three times more profitable than the investment in equipment.

In context of human potential development in organization or firm is important to realize that it is not just the matter of selection and development of the right people, but also a matter of linking these people to be able to work systematically and to develop skills in organization.

Every enterprise has adopted a philosophy of education, which reflects the importance and relevance of business education. Organizations' approaches to education are different. Some enterprises in this area are completely passive and trying to acquire “ready” people from organizations and enterprises which invest in education. In contrast, other companies often waste the resources on training and educating employees, without previous identification of education needs. There are five well-known approaches to staff education and development (Siller,1997):

- *Zero option*, in which companies offer only required training, arising from legal arrangements and the professional rules. Increasing the qualification and development of the staff leave only on the initiative of employees.
- *Chance approach*, where employees' training is planned, but derive from the current needs or shortages. Training courses are selected randomly. This scenario (option) is not considered effective.
- *Organized approach*, educational process is pre-planned and requirements for courses are specified in advance. This variant tends to have more efficient and effective educational process.
- *Focused approach*, the training is provided permanently and systematically on the basis of identified needs. In managing of education are involved (except the department of human resources management) all line managers. Providing educational activities is a result of cooperation with external agencies, but learning at work is strongly supported by the organization itself.
- *The concept of learning organization*, where education has new character, focuses attention on self-tuition and self-development. Learning

organizations attempt to create for their employees an environment, which promotes learning and knowledge transformation. In this concept, individuals not only acquire new knowledge and experience, but also are able and willing to exchange this knowledge, communicate, and thus enrich themselves.

Barták (2007) lists three basic forms of education:

- *monologic forms* – are based on oral presentation of the lecturer and immediate relationship between lecturer and participant of education process (e.g. lecture, review)
- *dialogic forms* – are based on active dialogic relationship between lecturer and participant or between the participants themselves (e.g. workshops, discussions, seminars)
- *group (composite, combined) forms* – single form courses or period form courses (e.g. seminars, workshops, trainings).

Bibliography

1. BARTÁK, J. 2007. *Vzdělávání ve firmě*. Praha: Alfa Publishing, 2007. ISBN 978-80-86851-68-6.
2. BHATT, D. *EFQM. Excellence Model and Knowledge Management Implications*. [online]. [cit. 5.6.2010]. URL: <<http://www.eknowledgecenter.com/articles/1010/1010.htm>>
3. BUREŠ, V. 2007. *Znalostní management a proces jeho zavádění: průvodce pro praxi*. Praha: Grada Publishing, 2007. ISBN 978-80-247-1978-8.
4. DAVENPORT, T. H. – DE LONG, D.W. – BEERS, M.C. Successful Knowledge Management Projects. In: *The Knowledge Management Yearbook 1999-2000*. (edited by: J. W. Cortada & J. A. Woods). Vyd. Butterworth-Heinemann, 2000. ISBN 978-0750-671224. [online]. [cit. 16.6.2010]. URL: <http://www.google.com/books?hl=sk&lr=&id=2iRY4HLtjeIC&oi=fnd&pg=PA89&dq=personal+development+and+knowledge+management&ots=KA2I5I4izU&sig=ZQWtrsswDeebwckkDSKbSIVQs_w#v=onepa-ge&q=personal%20development%20and%20knowledge%20management&f=false>
5. KANTOR, R. – KAO, T. 2004. Total rewards. Clarity from the confusion and chaos. In: *WorldatWork Journal*. Third Quarter 2004. Vol. 13; pg. 7.
6. KELEMEN, J. – BERKA, P. – BUREŠ, V. – HORÁKOVÁ, J. – HVORECKÝ, J. – MIKULECKÝ, P. 2007. *Pozvanie do znalostnej spoločnosti*. Bratislava: Iura Edition, 2007. ISBN 978-80-8078-149-1.
7. RUSSEL-JONES, N. 2006. *Management zmeny*. Praha: vyd. Portál, 2006. ISBN 80-7367-142-5.
8. SILLER, J. 1997. *Řízení vzdělávání pracovníků*. Personál č. 9, 1997.

9. SIRKOVÁ, M. 2006. Prepojenie podnikovej kultúry s podnikovým vzdelávaním. In: *Novus Scientia 2006: 9. celoštátna konferencia doktorandov technických univerzít a vysokých škôl. Zborník referátov*. Košice: TU SJF, 2006. ISBN 80-8073-354-6. s. 500-503.
10. STOSKOPF, G. A. 2004. Using total rewards to attract and retain health care employees. In: *WorldatWork Journal*. Third Quarter 2004. Vol. 13; pg. 7.
11. SULLIVAN, N. 2009. Total reward: Bells and whistles. In: *Employee benefits magazine*. London: may 2009. pg. 27. ISSN 13668722.
12. ŠUJANOVÁ, J. – PAVLEDOVÁ, G. 2000. Niekoľko mýtov o znalostnom manažmente. In: *Internetový časopis Materiálovotechnickej fakulty STU*. [online]. [cit. 16.6.2010]. URL: <<http://si.vse.cz/archiv/clanky/2000/lavrin.pdf>>

This article is published as one of the outputs by the international research grant “University Role in Regional Development and Knowledge Dissemination” SK-PL-0056-09, by Slovak Research and Development Agency SRDA (APVV) and the Centre of Excellence CEVKOG.

Contacts

Ing. Viktória Ali Taha, PhD.
University of Prešov in Prešov, Faculty of Management
Ul. 17. Novembra 1, 080 01 Prešov, Slovakia
E-mail: alitaha@unipo.sk

PhDr. Daniela Čverhová
University of Prešov in Prešov, Faculty of Management
Ul. 17. Novembra 1, 080 01 Prešov, Slovakia
E-mail: danka.cverhova@gmail.com

PhDr. Monika Tomčíková
University of Prešov in Prešov, Faculty of Management
Ul. 17. Novembra 1, 080 01 Prešov, Slovakia
E-mail: monika.tomcikova@gmail.com

Product Designing Based on the ISO Quality Management System Exemplified with the VIP Corporation

Lucia Bednárová

University of Prešov in Prešov, Faculty of Management

Katarzyna Korzyńska

Rzeszów University of Technology

Abstract

The article presents the designing process realized in the VIP Corporation whose main production is PCV and wooden windows and doors. The hitherto described solution of the designing problem can help similar, small and average - sized enterprises that are implementing the Quality Management System in conformity with the ISO 9001:2008 to easily meet the model standard requirements and streamline the implementation process.

Key words

ISO quality management system, VIP corporation

Introduction

A quality management system is usually associated with a big industrial enterprise. Indeed, a few years ago such systems were implemented exclusively in big plants. Then, minor cooperators of big factories were compelled to follow suit. Only some time later did they start to be successively introduced by small and average - sized companies fighting for survival and development amid an increasingly competitive environment. [1, 2, 3]

The sector of small and average – sized companies constitutes as much as 80% of the company market, which nominally means about 3 ml enterproses. The term “small and average – sized companies” refers to entrepreneurs doing business as natural person or as private, open, limited partnership and joint – stock companies as well as partnership or Ltd businesses.

In the case of average and small companies implementing a ISO 9000 based quality management system a few common characteristic features responsible for particular, implementation – related difficulties were singled out. They include, e. g. a flat organizational structure, the same people

carrying out different functions or lack of precisely defined authority and responsibilities. Making allowance for small company characteristics, the system being implemented should be: clear and comprehensible, especially with regard to the product realization (ISO 9008 standard, point 7).

As a part of that the company should:

- plan product realization,
- carry on customer – related activities properly,
- carry on designing and development work in the right way,
- realize shopping properly,
- supervise production (service),
- validate special processes,
- identify products and conduct relevant entries,
- treat customer's property in the right way,
- secure the product at any phase,
- check monitoring apparatus.

It is true that an organization can apply some departures from that standard scope, but it cannot do it arbitrarily, regardless of the company's activity. One of troublesome areas is the product designing process described in ISO 9008, point 7.3. In small enterprises it is often not precisely defined and in the implementation phase there is no distinct readiness to change anything as this would be very toilsome. The information of some possible departures suggests to the implementor an idea of removing the process from the system when it is being worked out. Unfortunately, such a departure is not practically possible. [5, 6] This paper is a prompt to implementors of quality management systems in small and average – sized companies which, based on the VIP Corporation, demonstrates that the process can be described in a way that is relatively simple and meets the requirements.

Presentation of VIP Corporation

The Corporation VIP Ltd began its activity in 1991 as a manufacturer of window and interior build – in elements made of PCV or aluminium. At that time it was one of few enterprises that decided on producing PCV windows and doors based on profiles from Western Europe. It cooperates with such reputed PCV profile producers as Belgian Deceuninck and Aliplast as well as Polish Metalplast. VIP Ltd offers elements with fittings produced by Roto, a reputable German manufacturer and by Romb. The corporation boasts of wide technological experience, modern machinery and well trained staff.

The construction of doors and windows based on the concept of multi-compartment profiles ensures their necessary rigidity, excellent venting and water draining as well as excellent sound and heat insulation which, considering the current cost of energy, is one of their most important assets.

Another obvious advantage is their long life and no necessity of painting. The ideally smooth profile surface and the combined panes make the products easy to keep clean. The production includes, besides white, a large colour range of PCV profiles veneered with woodlike film. Profiles are also painted making use of the RAL palette and unique Decoroc technology. In the case of aluminium profiles, fittings are offered in all RAL palette colours for both so called cold and warm profiles to be used inside and outside, respectively.

The company works in new or already used constructions of different purposes, such as apartment buildings, schools, office blocks, sports halls, etc.

The VIP corporation has highly specialized crews of fitters, which ensures a full range of services such as fitting new doors and windows together with finishing work. Such great capability as well as an intention to develop made the board implement the ISO 9001 system. A subject that gave rise to a heated discussion was the product designing process. The currently realized projects were based on computer documentation and the workers experience. However, there were no regulations enabling meeting the standard requirements with regard to design. Finally, after numerous modifications, the optimum designing procedure was established.

Product designing process

The shift foreman was made responsible for the functioning of the product design procedure denoted as P.05.

His extra responsibilities included:

- accepting orders from the customer,
- making evaluation,
- discussing the aspects of the order with the customer,
- making the order in the right way,
- work planning.

The assumed starting point of the process was the fee-for-task agreement form. The following course of the process was assumed:

Taking an order

The process of fulfilling an order for aluminium and PCV doors and windows starts at the moment of its acceptance when it has been written on a special, Z1/5 form. The form is both an agreement and an order. A company's office worker fills it up with all the information / input data necessary for fulfilling the agreement. The data may be in the form of handwritten notes, but they must be signed by the customer and the shift foreman.

<p><u>Design planning:</u></p> <p>.....</p> <p>.....</p> <p>Supervisor: Contractor:</p> <p>Required date of fulfillment:</p>
<p><u>Input data for design:</u></p> <p>.....</p> <p>.....</p> <p>Production instructions:</p> <p>.....</p> <p>.....</p> <p>.....</p> <p>Enclosed documents:</p> <p>.....</p> <p>.....</p> <p>.....</p>
<p><u>Output data:</u></p> <p>Graphic design</p> <p>Variant 1 according to</p> <p>Variant 2 according to</p> <p>Date and designer's signature:</p>
<p><u>Review of design results:</u></p> <p>Result as planned:.....</p>

<p>Result not as planned:</p> <p>* delete as applicable</p> <p>Date and signature of the reviewer:</p>
<p><u>Design verification:</u></p> <p>Design as planned:</p> <p>Design at variance with plan:</p> <p>* delete as applicable</p> <p>Date and signature of the person responsible:</p>
<p><u>Design validation:</u></p> <p>Variant chosen No</p> <p>Date and customer's signature of his acceptance for (fax, e-mail, another document)</p>
<p><u>Supervision of design changes:</u></p> <p>.....</p> <p>.....</p> <p>Date and signature of the person responsible:</p>
<p><u>COMMENTS:</u></p> <p>Order No made up to</p>

Fig. 1. Design form Z1/5.

While accepting an order, the theft foreman is obliged to discuss all its aspects and put the stipulations under COMMENTS or on some extra documentation. Orders are also taken in the VIP Corporation office in Rzeszow. Then making out the correct contract is the office clerk's responsibility.

Orders from the cities of Czudec and Rzeszow are registered separately in order books.

The registration is carried out by the coordinating foreman.

Taking order (Z1/5) and its registration in a special book is tantamount to ordering the relevant design.

Data analysis

The order and the input data it contains are then analyzed with regard to their correctness and viability. That is done by the shift foreman, who, as soon as the contract has been signed, writes out the parts of the order making use of a special computer programme. Due to the transformation of the data contained in the order into the particular production requirements, a computer generated assembly list, in the VIP Corporation it is usually called RW, is obtained.

Such lists are the technical documentation of the order (output data from the design) and, at the same time, a plan of how to make the product.

Design verification

The write – out of the order as an assembly list on Z1/5 form is passed on to the subforeman after being verified by the shift foreman. He also puts down the date of the verification and his signature on the form. Only Z1/5 forms which have been signed (verified) that way can be the basis for the completion of the order.

Design fulfillment

Order write – out

The obtained computer printouts are used for the completion of the production and doing possible shopping. The computer outprint the assembly list often includes information of extra services. Then, the shift foreman can take an order for an extra service (mosquito nets, window sills, roller blinds, outer roller blinds).

The write – out of the order in the form of an assembly list is passed on to the subforeman by the coordinating foreman.

Taking out the stock

The employee who performs the first cutting operation takes the stock out of the store checking its parameters against those on the assembly list.

Getting ready for (planning) the production

The subforemen get the information about the plans of the order completion from the shift foreman.

Production of PCV or aluminium doors and windows

The production is carried out routinely. Some slight technological differences are due to various characteristics of the material applied. The particular instructions each work – stand is provided with are very helpful in performing the individual technological operations.

Quality inspection of PCV and aluminium products

The inspection conducted by the foreman after the fittings have been fixed involves checking the dimensions and the functioning of the product. Appropriately made products have their frames labelled with the company's name and address, the name of the product, the technical data, the technical approval, etc. The label is an enclosure for the Quality system procedure.

Glazing is also a sort of check for the product. Panes are provided by the supplier and labelled differently.

Glazed doors and windows are subjected to the final check conducted by the foreman. The inspection can be either routine or tight, the choice depending on the number of the products to be checked. When the accepted product has already been stored, the coordination foreman, as soon as possible, makes out a conformity bill. The non – extendible time span for the procedure is seven days. The bills are kept in a special ring binder by the shift foreman. They are archived, just like assembly lists and orders, in the company's offices for at least ten years or even longer. A report on the products quality inspection together with the label is a proof that the design has been verified in respect of the computer generated input data put on the assembly list.

Design validation

The validation, in case of VIP Corporation products, is combined with the final check of the product. It follows from the fact that practically each product is unique, that is the production is often customized. Then, the final check described in the system procedure made by the foreman is, at the same time, the validation of the design. In sporadic cases of lot production, validation has been carried out when the first item has been produced and checked by the foreman.

A positive result of the check means the foreman's "positively validated", an extra entry on a Z1/5 form with the date and his signature. Only then the production of the whole series gets the go – ahead. A negative validation results in the introduction of necessary changes in the design whose aim is the reverification and revalidation of the design.

Changes in the design

Their introduction is discussed by the subforeman together with the foreman. The customer is also consulted when necessary. The shift foreman is authorized to introduce the changes to the design. New data entered into the computer programme generate a new assembly list, later deal with like the previous one. The latter is also enclosed with the current documentation, but each of its pages is crossed over with a red line and bears the shift master's signature. If the new data influence the quality of the product, it is necessary to get the customer's approval and his signature under the new input data. After their introduction, the changes are reviewed and verified. Finally, they get endorsed by the authorized coordinating foreman.

Summary

The described design process in the VIP Corporation shows that it does not have to be complicated and overformalized to follow the standard's requirements. The latter do require special regulations during the process, but it is possible to implement a selfleading form that helps to meet them and the same time improves the management. An appropriate computer programme is indispensable. Design process in small and medium – sized companies seems to run in a very much the same way. A relatively simple products does not necessary necessitate full extend designing methods. Computer aided and appropriately streamlined ones will do as well. As shown in this article, such a possibility practically means great facilitation for those implementing the ISO 9001 requirements. It is also an encouragement to implement the Quality Management Systems respecting the ISO 9001:2008 standard and, consequently, to streamline management procedures.

Bibliography

1. Gazda A.: Zarządzanie jakością w przedsiębiorstwach przemysłowych. W: Aktualne problemy zarządzania, Klasyczny Prywatny Uniwersytet, Politechnika Rzeszowska, Zaporozie, Rzeszów 2008
2. Gierczak A., Wpływ informacyjnych i komunikacyjnych technologii (IKT) na zmiany kierunków strategii małych i średnich przedsiębiorstw, [w:] Kaleta A., Moszkowicz K., Woźniak L. (red. nauk.), Przedsiębiorczość i innowacyjność. Wyzwania współczesności, Prace Naukowe Akademii Ekonomicznej we Wrocławiu, Nr 1116, Wrocław 2006
3. Hajduk-Stelmachowicz M. - Międzynarodowe Systemy Zarządzania, [w:] Zarządzanie i Marketing, Zeszyty Naukowe Politechniki Rzeszowskiej, z. 10, Oficyna Wydawnicza Politechniki Rzeszowskiej, Rzeszów 2007

4. P04 Procedure – Product designing process. Czudec – Rzeszów, First Edition, 2006.
5. Pacana A. - Organizacja produkcji seryjnej z wykorzystaniem normy ISO 9001:2008. *Ekonomika i Organizacja Przedsiębiorstwa*; ISSN 0860-6846, Nr 9(704) wrzesień, Warszawa, 2008,
6. Pacana A., Bednarova L. - Analiza systemu jakości pod kątem wymagań normy ISO 9001:2008. *MANAŽNENT PRIEMYSELNÝCH PODNIKOV*. Management of industrial companies. *Vedecký časopism Univerzitetnej vendeckotechnickej spoločnosti*, Ročník 6, Číslo 2/2009r. ISSN 1336-5592, Słowacja, Zvolen, 2009.
7. VIP Corporation Quality Book. Czudec – Rzeszów, First Edition, 2006.

Contacts

doc. Ing. Lucia Bednárová, PhD.
University of Prešov in Prešov, Faculty of management
Ul. 17. novembra 1, 080 01 Prešov, Slovakia
E-mail: bednaroval@unipo.sk

Katarzyna Korzyńska, MD
Rzeszów University of Technology
Poland

Information Support of Management Processes

Milan Brož

University of Business in Prague, Prague

Abstract

The article deals with obtaining relevant information of data. On the enclosed diagram there are relations in controlling the object. On the part of possibilities of data assimilation in controlling data are divided into structured and unstructured data and hereto this division there are also mentioned tools for obtaining relevant data.

Key words

Data, information, controlled object, information system, the trajectory of the system, structured data, unstructured data, relevant data, software, Office applications, SharePoint.

1. Introduction

Albert Einstein declared: „Progress is the result of an exchange of information“. Data and information – is the central concept of computer science and management. The data reveal something that the recipient knows, or about which he, in a given situation, does not care, they are not relevant to him. Information conveys something, what the recipient doesn't know and affects his further behaviour. All the time there is a search for information, data relevant appearance to the recipient, to position, time, place... as well as in an acceptable form.

To control an economic object we need information. They are stored in a database information system (IS), managed (economic) object. The databases to collect data that are transformed into information, properly arranged the information used to obtain the knowledge and expertise plus the experience will result in actions such as the sale of package tours and the financial crisis offer services other than its competitors. Information has its life cycle. Not maintained information after some time turn into unnecessary (obsolete) data. The IS is looking for relevant data for adequate management decisions to achieve better results - progress.

A large source of data and information is the Internet. Data and information is stored on the website. The number and range of websites is growing. It often happens that we are looking for information in the Internet and cannot

find it even if it is certainly „somewhere“. To search the web space we have two methods: the search index, entering keywords - the search for analogies in the register book and catalogue, discussing tree menu structure - it is like searching for the content of the book. Not always, however, these procedures lead to finding relevant information.

A similar situation is in the intranet, internet technologies used in the company. Here too are data accumulated in this case company designed data for a limited class of users: business professionals, students and teachers in school ... The person who publishes data on the intranet, assumes that in the tens or hundreds of pages the users navigate. How often do we hear or use the argument „It's on the Intranet“, with the unspoken „... So do not bother.“ The person who publishes data is aware that the requested (relevant) information is really there, but for the searcher (user) it can be a problem to find the information.

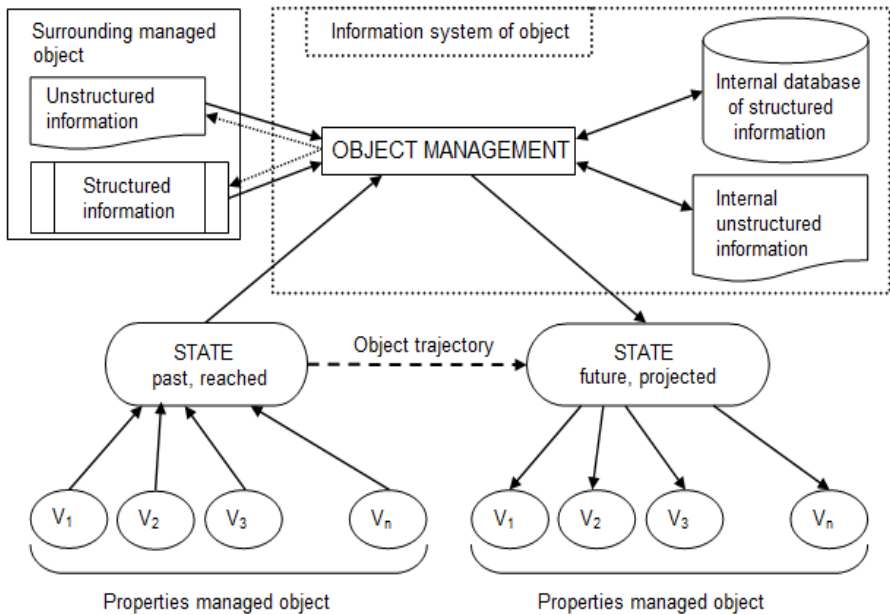
2. Management of object and information flow

Management of an object (economic object), as companies, travel bureaus or travel agencies, accommodation facilities, supposes:

- knowledge of current managed object properties,
- information from the surroundings and the surroundings,
- conception of the required and projected (future) managed object properties,
- data on past characteristics managed object, the trajectory of his previous history.

See diagram managing of economic object.

Fig. 1 Diagram managing of economic object



To manage, in essence, an arbitrary economic object, it has to have a created information system (IS) containing a data base (database). The IS has to:

- Describe the state of the controlled system in time, its trajectory. It must include a formalized description of the object properties using comparable parameters.
- Save the parameters to the database (data warehouse) to digital media. It is structured information. For example package tours, destinations, number of clients, costs of transport and accommodation during production, inventory and sales.
- Enable to archive or store various unstructured information in paper, as well as in digital form. For example news, analyses, reports, photographs, etc.
- Provide a basis for the development of various analyses and reports for top management.
- Provide a basis for drawing up reports requested by the surrounding building. For example tax returns tables of statistics.

- Allow to implement various information from the surroundings, both unstructured and structured. For example changes in legislation, indicators of development of commodities and their commodity substitutions, market trends, stock quotes, etc.
- Enable modelling the future state of managed object when setting the designed properties projected of the state. Answer the question what happens if these parameters are changed?

Information on managed object and information from the surroundings are continuously formalized and recorded in the database IS object. On the grounds of evaluation an information managing act will be issued to achieve the projected state. After reaching the designed position, the situation repeats, the state of the object is captured in the IS database of the object the future status of another managed object is determined. Even if an IS object is conceptually focused on longer horizon, for the top management, IS must provide information for lower levels of management as well. These workers have to be mirrored in IS, IS must provide them with something, otherwise they will minimize entering information and bypass them. E.g. after entering your customer ID, the screen will provide identification information, information about the unpaid invoices (warning to stop further deliveries) and the staff will insert only a commodity, quantity and enter the command to print the invoice.

3. Management paradoxes

In management it is not possible, from the systematic aspects, to avoid the problem of impossibility of access to decision making in a complex environment, according to one aspect (parameter), even though it may be very important. To reduce multi-criterion aspects on one criterion can be accepted only under specific circumstances (armed conflict, social unrest, floods...), not as long-term trend. Only the financial description detail of managed object is basically wrong, and must always lead to crises, to the break of the developmental trajectory.

Relevancy of information to achieve the projected state of managed object is evaluated with regard to the actual needs of managed object and the actual state of the surroundings. Depending on the type of system time horizons the projected state can be of variable length. Information support for decision-making will be different for the current state and for the projected state of the object. It can be assumed that the longer the time interval for a future state will be, the greater will be the different requirements for more information. IS covers, definitely, basic information about the running of the company, it

emerges from the analysis system. Database of internal information, however, should be prepared for future needs of the top management.

4. Constructive data access

Data can be divided into structured and unstructured. Structured data have a fixed structure and therefore they can be processed by algorithms that can automatically receive one (called a mine, or pump) information. Structured data are stored in the database IS, in the digital media file and can have different architectures: sequential database, relational, hierarchical, network, object...

It is possible to divide unstructured data according to form into text, visual, videos and other. They consist of various e-mails, documents (news, reports, directives, regulations and laws), forms, photos, etc. Unstructured data are stored in different folders (physical or digital). Unstructured data are on the internet and intranet. Data can be inwardly structured, according to an outline, but are not structured in terms of automated processing.

There are situations that some data about objects are stored in a database in a structured format, data used for observing trends and for analyses, and other data relative objects are unstructured. In the database there is a reference for storage of unstructured data. E.g. the package tour has essential characteristics in the database for analyses and contracts, contacts, maps, photos are in (physical) folder. The database is a reference to identify the folder.

Often there are only data added into the warehouses and IS are evaluated according to the volume of data - information system ABC includes x terabytes of data. It is an indicator of robustness of the IS. Less often it is cared for removing irrelevant data from the IS. For structured data informative value of the stored data can be found out exactly and irrelevant data can be automatically removed.

Content structured data are evident from the data structure of records, resulting from title (description) fields. For "data mining" - obtaining hidden information from the databases IS various programs are developed. As an example it is possible to mention the statistical system Clementine (now IBM SPSS Modeller).

Into the IS also unstructured data, often in the form of PDF files, scanned documents, image files, audio recordings, videos, etc are stored. When processing structured data compared to unstructured data there are complicated problems, the solution of which is not easy.

Data are added to the IS, but according to what key they are removed? The creation data is not always unambiguous guidance, some data have short-term

utility, and others are timeless. According to what can informative document content, images, videos... be evaluated? Should the files be kept in the IS, or deleted and kept in the archives, in accordance with the Act on Archives and Records Service?

For working with unstructured data, we need information that describes these data, we need metadata, i.e. data about data. It is possible for Metadata to be:

- Added to files, to documents Office: to Word documents, Excel workbook, or PowerPoint presentation can be added metadata (properties) at the time of their creation. Into IS then can be taken over only those documents that contain metadata.
- Created as a database of metadata. The database may for example include: full document title, its placing (folder), file and folder name in digital media, document type (picture, scan document.) body creator, creation date, subject, branch, deficiencies, internal cooperation, subcontracting, expiration etc. The metadata can be added to such documents in application Microsoft SharePoint.

We are working on programs for the automatic description of the information value file. In this area it is possible expect great development. Programs are being developed to describe the images and search them, there are developed programs for evaluating the content of the text. E.g. analyze text from a newspaper and find (e.g. by frequency analysis of words) moods of inhabitants for prevention of discrepancies.

5. Representatives of the Information Systems

For working with structured data there are systems like ERP (Enterprise Resource Planning) - information systems that integrate and automate many processes associated with the production activities of the company. Typically this is production, logistics, distribution, asset management, sales, billing and accounting.

At the interface between the work of structured and unstructured data there are systems like CRM (Customer Relationship Management) - Information systems for customer relationship management. It is a database technology supporting the process of gathering, processing and use customer information company. It allows to get to know, understand and anticipate the needs, wants and purchasing habits of customers and supports two-way communication between the company and its customers.

For working with unstructured data there are systems type DMS (Document Management System) - systems management and distribution of

documents. System DMS is as a matter of fact filing service. These systems of care content, take the documents as objects. Systems type EDM (Electronic Document Management) - are designed to manage electronic documents as digitized paper documents, e.g. documents transferred to digital form by scanning. These systems focus on managing content and documents to help users in creating the document. These systems are used for example by banks to record and make contracts with clients.

These systems for the management of objects (firms) are collectively called management information systems (MIS). Superstructure on the IS systems are called Business Intelligence (BI) to support analysis, planning and decision-making activities of top management.

In the Internet there are also many terabytes of unstructured data. For searching relevant information various search engines are being developed. They operate on the multi-stage filtration with the offer of possible continuation. This is for example Microsoft FAST as used in CISCO, the Financial Times, the London firm of Getty Images (pictures for the specified locations) and Czech Radio.

6. MIS and Office applications

Management information systems are used mainly for the needs of top management. The results are often displayed through the dash board (dashboard), where on the computer screen are displayed in graphic form the main parameters of the managed object, most of the performance.

However, it is often not enough to control, company management must have more information and in acceptable form. Every manager is familiar with Office applications from Microsoft. Are very close links of MIS and spreadsheet - Excel. Relation is in several directions:

- Tables and graphs in MIS design according to the current version of Excel. Then on design, which the manager used to.
- The output of the MIS is workbooks xls format, which can open, modify and do in them analyses in Excel.
- Excel can automatically download the data from external sources into worksheet of the workbook; it can be the MIS database. It can download data from the databases from the Internet (Intranet).
- Workbooks Excel can be connected to the MIS database system, data can only read from it, the database can not interfere. Interconnection modules mediate ODBC (Open Database Connectivity), which is a standard software API (Application Programming Interface) to allow uniform access to any database system.

- Allows you to keep separate, auxiliary, ad hoc databases, which are not difficult to maintain and do not require the cooperation of IT specialists.

Excel makes it possible to extract from database MIS relevant information, e.g.:

- summaries from offers eleven subtotal functions can be added,
- records that the manager are interested in can be filtered out the automatic or custom filter,
- with the database it is possible work directly by the help of PivotTables and PivotCharts.

Developers of Microsoft meet managers. Every future version of Excel offers additional functionality. For illustration, it may be noted that the number of lines (which is the number of database records) to the worksheet in the workbook has been increased from about 65,000 to about one million (1,048,576 exactly) and the number of columns from 256 to 16 384 (column determine the number of fields of the data database) in the version 2007 version and 2010. Filtering records is supplemented by sorting and filtering itself offers plenty of choice possibilities.

The development of Office application is coming - out towards managers concerning the design as well - from simple formatting in older versions up to professional graphic art in Office application versions 2007 and 2010. Word documents, tables and graphs in Excel and presentation in PowerPoint can be of same design determined by a selected motive. Whereas by selecting another motive we change the appearance of the document, of all tables and graphs in the workbook and of all slides in the presentation. They enable to create one's own, corporate design of documents.

7. Information systems for small businesses

MIS can be used for large (rich) companies and organizations. For small and medium businesses, those systems are useless: they are expensive to purchase and maintain, and are unnecessarily robust. Small firms are not able to fill these systems with data in a way that they fully reflect the potential of these sophisticated systems.

Small and medium Businesses: normal travel agencies, tour operators, hotels, accommodation facilities ... can build their information system based on Office applications. Use Access (relational database management system type) and Excel (spreadsheet). Over these (and other) applications use the application (technology) SharePoint, it makes it easier to manage and share files, text search, links to internal and external systems, and all uniformly using a Web browser. Technology SharePoint 2010 allows to work with databases and documents, thus both structured and unstructured data.

The Office applications can have a variety of reservations, often resulting from limited knowledge of their functionality, but small and medium-sized businesses are in a situation limited by resources so that in principle they have no other choice than to use these tools. Except the purchase of licenses, learning how to work with the programs, they require no additional costs.

Excel is for the manager a huge, yet easy tool to be used. To obtain relevant information it is possible e.g. to use:

- Conditional formatting. In versions 2007 and 2010 allows to add data bars, colour scales, icon - from three to five images that reflect the trends with respect on other data.
- For visualization of trends serve charts. Except the traditional two-dimensional and three-dimensional graphs there are also minicharts in version 2010 (a line, column and column increase or decrease), which are being drawn into the cells.
- Sensitivity analysis allows you to create a table that responds to the question of what happens when you change the value of one or two variables. E.g. how the number of tour participants and the change in costs will affect earnings.
- Seeking solution serves to find variables for achieving the requisite result. E.g. determination of the level of costs for achieving the desired productivity.
- In the list, it is possible create groups and display those into required details. E.g. in a list of package tours for groups of countries, within its destination and accommodation. In the list there
- Will not be displayed all the tours, but only the place that the client chooses.

Repetitive tasks can be programmed using an object-oriented programming language Visual Basic for Applications (Access, Excel).

8. Conclusion or crisis pushing to savings

We are still getting the same goal - to obtain and upkeep relevant information with minimum loads. How to handle it? Manually? This can be done with a small volume of data. When there are gigabytes or terabytes of data machines must be used for information processing - computers. Computer must have data - they are available and the algorithms to evaluate data.

MIS are not suitable for small and medium businesses and in tourism these are certainly travel bureaus (majority), travel agencies, guesthouses ... For them to exploit all potential opportunities Office applications do not have to

be necessarily of Microsoft's workshops, which are relatively expensive. There are free products: OpenOffice.org, IBM Lotus Symphony or Google Document, which, however, lack the functionality of Office applications from Microsoft.

For unstructured data, it is appropriate to establish a database of documents with metadata. That is also used by some divisions of large companies, such as for registration of contracts and realized constructions. A contract (construction) has its number and all binding documents (contracts, drawings, photographs, reports of defects ...), information on the repeatability and recovery in other buildings are reported in Excel database.

In the tourism sector you can imagine a database of metadata: destinations, catalogue number of the package tour, description of the package tour, documentation relating to the tour, including reports created and solved in emergency situations, information not only on a specific event, but wider usability, such as templates analogous to another tour.

Mr. Einstein stated as the basis for information exchange. Currently there is large amount of data (information) in different sources (internet, corporate IS, printed and graphic materials) and the time imperative is to eliminate data, therefore reduce the cost of storing, archiving, and optimize the costs of obtaining relevant information in relation to actual needs.

Summary

Fundamental prerequisite for the successful operation of the company is promoting the information management processes. The article is divided into seven chapters and it deals with precisely this outreach of information support. In terms of data processing (information) data are divided into structured, workable computer, and unstructured data difficult to be compiled by computer. It is suggested to use metadata already used in computing for the description of unstructured data.

For small and medium-sized businesses, i.e. for travel agencies, tour operators and accommodation facilities it is proposed to create an information system to support management processes based on Office applications and SharePoint.

Bibliography

1. Bělohlávek, F., Košťan, P., Šuleř, O.: Management, Computer Press, 2006, 724 s. ISBN: 80-251-0396-X
2. Basl, J., Blažiček, R.: Podnikové informační systémy, Grada Publishing, 2008, 283 s. ISBN: 978-80-247-2279-5

3. Pour, J., Gála, L., Šedivá, Z.: Podniková informatika, Grada Publishing, 2009, 496 s. ISBN: 978-80-247-2615-1
4. Brož, M., Bezvoda, V.: Microsoft Excel 2007 pro manažery a ekonomy, Computer Press, 2009, 435 s. ISBN: 978-80-251-2116-0

Contact

Ing. Milan Brož, CSc.
University of Business in Prague
Spálená 14, 110 00 Praha 1, ČR
E-mail: milan.broz@vso-praha.eu

Outsourcing of Personnel Activities

Jana Cocul'ová

University of Presov in Presov, Faculty of Management

Abstract

Unavoidable part for successful standing of the company on the market is gaining and maintaining the competitive advantage. This leads many companies to focus their efforts and resources on the type of activities which are directly related to the business making core. One way how to keep strong focus on the core business has been to push other activities to external providers while using outsourcing. Outsourcing is not only a simple way for reducing costs but it has become a very important strategic tool for increasing the efficiency of business activities. Currently, outsourcing has been very often used in the field of human resources. The paper introduces the topic of outsourcing, it describes the process of outsourcing in its individual phases and it has been particularly focusing on the issue of personnel outsourcing activities.

Key words

outsourcing, human resources, personnel outsourcing

Introduction

Concurrently global environment imposes high demands on companies. If companies want to keep their market position, they need to think strategical and in the long term. Orientation of companies on creating and keeping the competitive advantage leads many companies to focus on the core business and to push other activities to external providers of these activities. One of the way presents outsourcing of selective activities, which has high growing tendency. The reasons are quick technological innovation, high risk, requirement of flexibility and focus on the core business activities (Daňo – Trenčianska, 2008).

Conception of outsourcing

In hoc that the word „outsourcing“ doesn't have any slovak equivalent, it is desirable to specify this word in the concrete. Fuks (2007) refers that the conception of outsourcing has arisen from the english acronym „OUTside reSOURCE usING“ from the etymologic view. That word is the conception of

the american bussines English and in the close tranlation it means the using of external sources (outside – vonku, source – zdroj,prameň, to outsource – odsunúť, vyčleniť, vytesniť) (In Nekoranec – Jirásková, 2008).

Czech authors Rydvalová, Rydval (2007) define the outsourcing as a long-time, contracting relation with „somebody“ except of the own organization for providing services in one or more fields of companie's activities. They refer, while using outsourcing leads to adjust the interstages in organization structure , to get the flattened organization structure and to simplify the processes realizing in the organization. Matjan (2003) defines the conception of outsourcing very similarly. He perceives the outsourcing as one of the techniques of modern management which leads to the thin organization structure, smaller organization, for all that the main goal is to select these activities which are not being provided effectively and without any know – how of the organization. Lednický (2004) mentions that the intent of outsourcing is selection of these activities which have additive character and in major cases they don't create any added value but on the other side these activities are necessary (In Nekoranec – Jirásková, 2008).

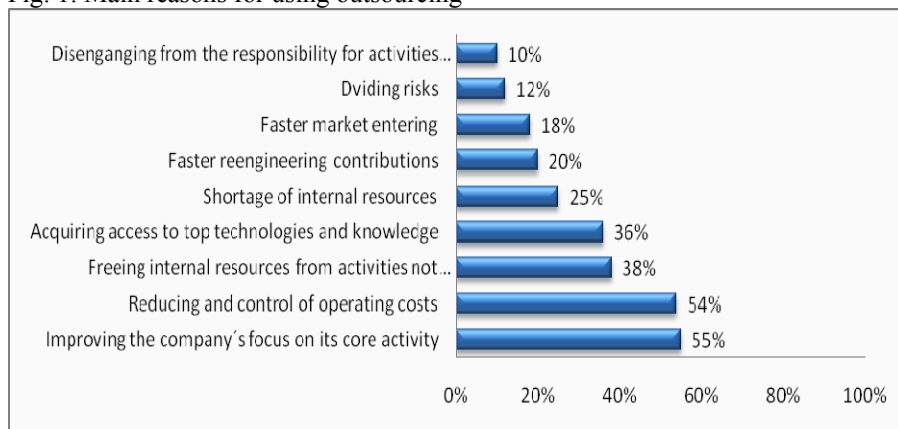
Development of outsourcing has been under review from two theories in the literature, namely economical theory and the theory of the strategic management. In term of the economical theories, turning point in the development of outsourcing has been caused by the publications of two authors, R. H. Coase (1937) and O. E. Wiliamson (1961). In their publications, the authors mention so called transation costs, which mean the costs that arise from negotiation and closing a deal between concerned parties. In the course of decision making regarding implementation of outsourcing, it is necessary to compare transformation costs and transaction costs. In case that transation costs increase, outsourcing of these activities is not gainful. Therefore, the decision regarding implementation of outsourcing is needed to judged by costs related to selection of providers, negotiation with providers, monitoring of obligation of contract etc. (Nekoranec- Jirásková, 2008).

The approach to the outsourcing in term of the strategic management has been analyzed by Edith Penros in the publication called „The Theory of the companie's growth based on sources“. This approach commends to focus on the core business activity which means the activity admiting the competitive advantage. All other activities are considered as suitable candidates for outsourcing (Rydvalová – Rydval, 2007).

Reasons and disadvantages of outsourcing

Inducted definitions of outsourcing show some main reasons for using outsourcing in a company. Diagram no. 1 presents main reasons for using outsourcing. The question has been answered by 1100 companies from all industries using outsourcing services.

Fig. 1: Main reasons for using outsourcing



Source: The Outsourcing Institute 2005 (In Potkány, 2008).

There are some economic as well as another special reasons for outsourcing. Cost saving is often presented as the main reason for using outsourcing, however it is not the only way how to achieve the effectiveness of companie's activities and to gain the competitive advantage. The question is how to get substantially bigger value at the same costs. Another reason for using outsourcing is the fact that to keep top experts in complementary activities, which mean the activities which don't belong to the core business, is very difficult for each company. On the other side, there are a lot of subjects specializing exactly on providing of certain activities and then these activities are being implemented by teams of experts in the selected field (Potkány, 2008).

Diagram no. 1 illustrates that there are many reasons for using outsourcing. However, similarly to other activities, the implementation of outsourcing also has several disadvantages which have to be accepted during the decision making process regarding the outsourcing of a selected activity. It is important to consider the following factors (Stýblo, 2005):

- Whether company will gain flexibility.
- Whether the productivity of stagnant activity will increase.
- Whether economic efficiency will become better.
- What influence will there be on the company culture?
- What effects will there be on the employees?
- What effects will there be on the market position and company competitiveness?

Outsourcing presents important strategic decision which requires implementation of principal changes in company. Lednický (2004) presents, outsourcing means transition from strategic planning to strategic management of company in constantly changing competitive environment. In that, implementation of outsourcing means principal strategic choice, there are given high demands on the company top management. There are some recommendations for making decision about outsourcing (Stýblo, 2005):

- cost saving itself cannot be strategy,
- expressly define requirements on outsourcing:
 - a) level of quality,
 - b) competition situation,
 - c) productivity, costs, revenues,
- consider values of company (for example environmental care, guarantee for products, etc.).

Based on the evaluation of advantages and disadvantages related to outsourcing, this may lead to a situation when a company decides for so called insourcing. Insourcing means undertaking and integrating some activities afore providing by external way to business activities of company (Rydvalová – Rydval, 2007).

Outsourcing of personnel activities

Currently we can see increased tendency of using outsourcing in the field of human resources. In regards to the object of outsourcing there are employees as the most valued factor of company, outsourcing of personnel activities has its own specific features which have to be recognized. There can be various personnel activities outsourced. Recruitment and selection of employees, education and training of employees and payroll agenda administration are the most outsourced activities in our country. One of reasons for development of outsourcing in the field of human resources is growing number of activities which have to be realized by human resources department. The affairs which

represented the base of work of personnel department in the past are not sufficient today and human resources managers are very often being overloaded. The outcome is an inefficient support of personnel department to obtain the strategic goals of company (Čihovská, 2003).

The question is, what activities are advisable for outsourcing and what activities should be realized by human resources department. One of ways is so called complex outsourcing when a company decides to outsource complex function area (for example IT, Human Resources) and an external provider is given a complex responsibility for such an area. Selective outsourcing presents the selection only of the one activity or some activities in the certain function area which are realized externally (for example recruiting and selection of employees) (Potkány, 2008). Making decision about outsourcing of concrete personnel activity is influenced by factors which have to be known and analyzed before. Those can be the following factors (Nekoranec – Jirásková, 2008):

- cost saving,
- concentration of personnel workers on key activities,
- acquiring of professional services on high quality level from external providers.

Selection of personnel activities can be connected with some risks and appraisal of the risk means to own extensive know-how for the company. Selection of personnel activities shouldn't be any operative affair but it should be linked by complex company strategy (Stýblo, 2005).

One of ways how to eliminate the risk connected with wrong decision is to prepare an outsourcing project, which ensures to manage that process effectively. It is very important how effectively are processes implemented and how logically are realized complementary activities in relation to basic processes (Harausová, 2009). Prior preparing of the project the analysis of current situation has to take place which would ensure that the required level of services is being set. The analysis of costs connected with outsourcing of planning activities should be the part of such analysis.

Outsourcing project

1. The first step of outsourcing project is the phase of decision making. Based on the analysis of anticipated revenues, the vision is being put together, which is then transformed into specific, measurable goals. This step needs to specify CSF (Critical Success Factors) which means to define measurable characteristics and features of potential provider of outsourcing service.

2. The second step is the internal audit which should give the information about:

- state of capital goods assigned for transfer within implementation of outsourcing project,
- current technique infrastructure,
- performance parameters of activities,
- financial situation of the company based on detailed cost analysis (Rydvalová – Rydval, 2007).

3. Selection of a provider

Currently there exist a lot of various personnel – consulting companies and job agencies providing various services in the field of human resources. However we can sometimes meet with misinterpretation of personnel – consulting companies. „All activities connected with human resources, including recruitment and selection of employees, have to be divided into two main categories. The first group is presented by job agencies for provisioning employment and agencies of temporary employment. Personnel – consulting agencies and personnel – consulting companies belong to the second category and in this category we can define some differences“, interpreted Krekáč from Amrop Jenewein Group (Lemnická, 2003). Personnel – consulting companies are not the same as job agencies. The object of interest of job agencies is the person, whom is intervened permanent or temporary employment for fee by job agency. Job agencies charge fee for provisioning of employment using tariff scale which appears from the legislative act about employment services no 5/2004 Zb. z. Personnel – consulting companies realize cooperation on the base of the contract appearing from Commercial Code.

Outsourcing of personnel activities is provided also by specialized personnel agencies besides common universal personnel agencies. Specialized personnel agencies are focused on providing personnel services in selected specific area (for example specialization on the field of IT, in which companies realize market search, searching and hunting of suitable candidates in the field of IT, consulting and incentive programmes for IT employees etc.) (Musilová, 2009).

4. Conclusion of an outsourcing contract

The Outsourcing contract has to contain clearly identified contract partners (buyer and provider of outsourcing service), identified an object of the contract, defined the price of services, supplement about data security, buyer and provider responsibility, the contract penalty, the period of the duration of contract, ways of changes of contract, ways of termination, eventually another terms.

5. Implementation of outsourcing project

This phase contains next steps (Nekoranec – Jirásková, 2008):

- taking over of management,
- realization of activities and coaching, checking of control mechanism and performance of employees,
- implementation of organization and personnel changes.

Outsourcing of personnel activities has its own positives and risks.

Basic advantages are:

- support of orientation on the customer services,
- focus of the company on core business,
- personnel cost saving for trainings of employees,
- transfer of responsibility for outsourced activities.

Potential risks are:

- close cost saving orientation,
- dependance from the provider of the services,
- enhanced demands on coordination of providers network,
- loss of control,
- risk of data leakage.

Stýblo (2005) presented current trends in outsourcing:

- outsourcing routing to large and complex, function fields of companies,
- world-wide sphere of outsourcing providers,
- growth rate and other new development tendencies in outsourcing.

Summary

The ambition of each company is to achieve and to keep quality implementation of their business activities. However companies own and use their know-how only on these activities which are directly connected with core-business and this is at the expense of other business activities. Quality shouldn't be only in the interest of the one activity because another activities share to achieve the complex result of the company too. One of ways how to achieve high quality in other business activities, including personnel activities, is the outsourcing. Some risks connected with missing out required level of outsourced activities can be caused by an inconvenient provider. Therefore it is convenient to cooperate with the experienced organization which operate on the market for a long time and to avoid potential risks.

Bibliography

1. ČIHOVSKÁ, V. 2003. Outsourcing v manažmente ľudských zdrojov. In *Ekonomické rozhlady*. ISSN 0323-262X , 2003, roč. 32, č. 4, s. 444-452.
2. DAŇO, F. – TRENČIANSKA, E. 2008. Outsourcing. Metóda skvalitnenia podnikových procesov. In *Outsourcing, manažment a globalizácia*. Bratislava: CS Profi – Public, 2008. ISBN 978-80-970039-0-9.
3. HARAUSOVÁ, H. 2009: Procesné riadenie ako nástroj zefektívnenia organizácie. In *Implementácia špecifických znalostných a marketingových modelov a nástrojov v regionálnom rozvoji: zborník vedeckých štúdií z výskumného grantu VEGA č. 1/4638/07 a Centra excelentnosti výskumu kognícií CEVKOG/Róbert Štefko (Ed.)*. Prešov: Fakulta manažmentu PU, 2009. ISBN 978-80-555-0060-07.
4. LEDNICKÝ, V. 2004. Outsourcing a jeho aktuální podoby používané v současné době. In *Sborník výzkumných prací Ústavu malého a středního podnikání Díl 9*. Karviná: Slezská univerzita v Opavě, 2004. s.66, ISBN 80-7248-274-2.
5. LEMNICKÁ, T. 2003. Ponuka práce je vedľajší produkt poradenského riešenia. In *Národná Obroda*. ISSN 1335 – 4671, 2003, roč. 14, č. 201, s. 15.
6. MATJÁN, M. a kol. 2003. *Manažment*. Bratislava: Sprint vbra, 2003. s.97. ISBN 80-89085-17-2
7. MUSILOVÁ, J. 2009. Specializace agentury = efektivita. In *Personál*. ISSN 1213-8878, 2009, roč. XV., č.6, s.11.
8. NEKORANEC, J. – JIRÁSKOVÁ, S. 2008. Využitie outsourcingu v manažmente ľudských zdrojov. In *Outsourcing, manažment a globalizácia*. Bratislava: CS Profi – Public, 2008. ISBN 978-80-970039-0-9.
9. POTKÁNY, M. 2008. Personnel outsourcing processes. In *E + M Ekonomie a Management*. [online]. 2008, č. 4 [cit.2009-15-10]. Dostupné na internete: < <http://em.kbbarko.cz/c2.php?a=593>>. ISSN 1212-3609.
10. RYDVALOVÁ, P. – RYDVAL, J. 2007. *Outsourcing ve firmě*. Brno: Computer Press, a.s., 2007. ISBN 978-80-251-1807-8.
11. STÝBLO, J., 2005. *Outsourcing a outplacement (vyčleňování činností a uvolňování zaměstnanců)*. Praha: ASPI, a.s., 2005. ISBN 80-7357-094-7.

Contact

Mgr. Jana Cocuľová
University of Presov in Presov
Faculty of Management, Department of Management
Konštantínova 16, 080 01 Prešov
E-mail: janacoculova@yahoo.com

Employees' Remuneration in Organizations

Andrea Čopíková – Petra Horváthová

VŠB-Technical University of Ostrava, Faculty of Economics

Abstract

The aim of this article is to describe modern contemporary systems of employees' remuneration used in organizations, to give a general overview of these questions based on the questionnaire survey made by the authors, as well as to assess possible effects of economic crisis in this area. It is necessary to be aware of the fact that firm's success in the contemporary business environment depends not only on the technical equipment, financial resources, availability of raw materials and information and effective management, but one of the crucial factors of firm's success is its human potential. The article emphasizes that the well working remuneration system has a very important position in the organization in the broadest sense. The paper also aims to the current situation in the area of employees' remuneration in the organizations from the Moravian-Silesian Region.

Key words

remuneration strategy, remuneration policy, remuneration system, total reward, total pay, variable pay, Balanced score card, benefits

1 Introduction

Employees' remuneration for their work is one of the most important fields of human resources management. This article views the field of remuneration from two sides. First, the authors of the article focus on the issues of remuneration from experts' standpoint and that of theirs, and consequently they present concrete results of the remuneration research carried out in organizations of the Moravian-Silesian Region.

2 Modern contemporary systems of employees' remuneration used in organizations

Every organization should have such individual system of remuneration developed that would meet all specific conditions in which a concrete organization works; the needs of both organization and individual needs of its employees.

Remuneration strategy and policy

The strategic aim of remuneration management is to develop and implement the remuneration strategies and the policies, processes and practices required to support the achievement of the organization's business goals. Remuneration strategies have to flow from the business strategy and have to be integrated with other human resources management strategies (Armstrong, Murlis, 2007). Remuneration strategy is important for the organization to define how it is going to determine its remuneration or pay levels.

Remuneration Policy is one of the most important decisions that the organization will make. This policy ensures that an organization is able to attract the staff that it needs in order to do its business.

In addition, it provides the basis on which to determine an appropriate “rate of pay” for each job in the organization; a "rate of pay“ that is fair, consistently applied across all jobs and that is competitive with market trends.

Remuneration system and total reward

Strategic systems of employees' remuneration in organizations should be developed on the basis of a so-called new or total reward approach. This approach emphasizes the importance of all elements of the total reward. Modern systems of remuneration include both tangible and intangible rewarding. To tangible rewarding belong the element of wage the employee is entitled to receive, which is a basic wage or salary, and the element of wage the employee is not entitled to receive which consists of various forms of bonuses, performance bonuses, gratuities, premium allowances, benefits and the like. Among intangible rewards recognition, praise, responsibility, career opportunities, autonomy, quality of working life and others can be ranked. Employees' total reward thus includes in itself both tangible and intangible element of rewarding (see Figure 1).

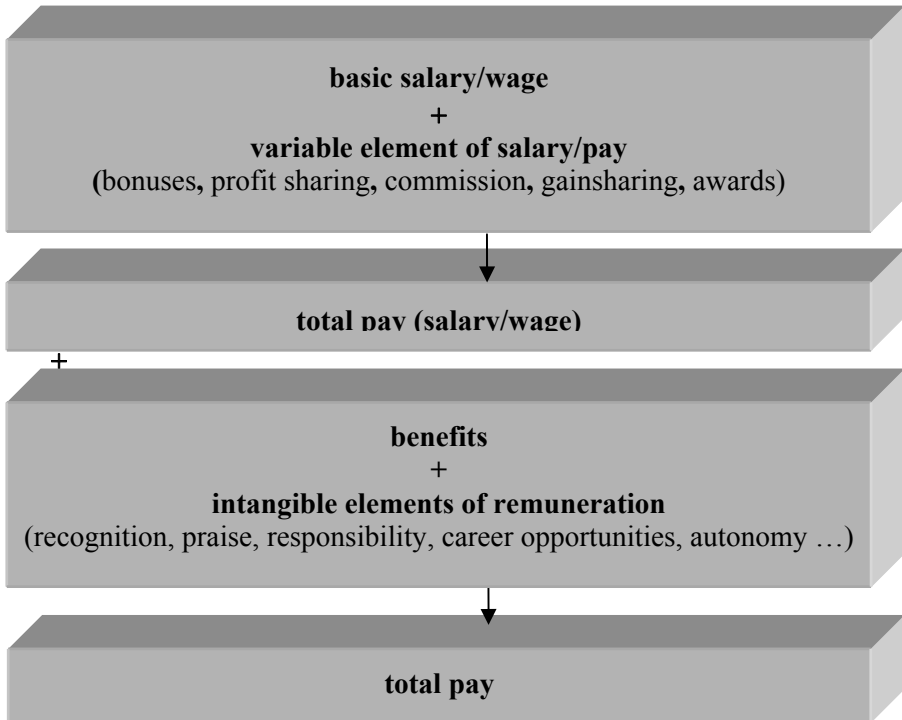
Variable pay

Variable pay is compensation linked to individual, group/team and organizational performance. Variable pay of salary/ wage attempt to provide tangible rewards to employees for performance beyond normal expectations. The main reasons why organizations adopt variable pay plans are:

- link strategic business goals and employee performance,
- enhance organization's performance and reward employees for their contribution,

- try to strengthen the link between rewards and performance, it means to recognize different levels of employee's performance, make it visible and thus motivate the employees,
- achieve HR objectives (Marhis, Jackson, 2008).

Fig. 1 Elements of the total pay



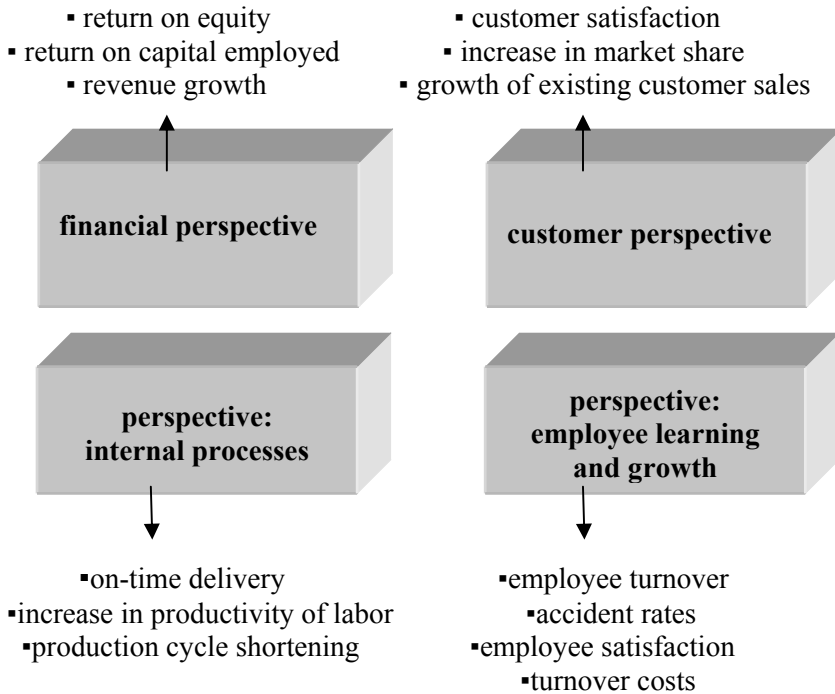
Source: Armstrong, M.; Murlis, H. *Reward management: a handbook of remuneration strategy and practice*. London: Kogan Page, 2007. 722 p. ISBN 978-0-7494-4986-5.

Metrics for Variable Pay Plans

In most organizations a performance element of salary/wage depends on a greater number of criteria. Especially if managerial and specialized positions are in question then these criteria or aims are being derived from a Balanced score card (BSC) method. Strategic aims and their indicators should correspond with a management level of the organization. Top managers' aims mostly relate to the growth of organization's turnover and profitability, quantitative and qualitative aims at lower levels should be determined in such way that they support higher management levels' aims. The most often used

indicators of four perspectives of the BSC method are represented in the Figure 2.

Fig. 2 Balanced Score Card



Source: own processing

The most usual way of weighing the indicators is as follows: to performance criteria percentage weights are assigned, the sum of which equals one hundred. Relative weights of particular criteria expressed in percents should correspond with the significance of particular indicators in order to achieve organization's strategic aims as a whole, with the demanding way of their achieving, and they should remain relatively constant. Even though there is a tendency to assign the highest weight to financial indicators yet their significance should not be so high as to surpass other indicators.

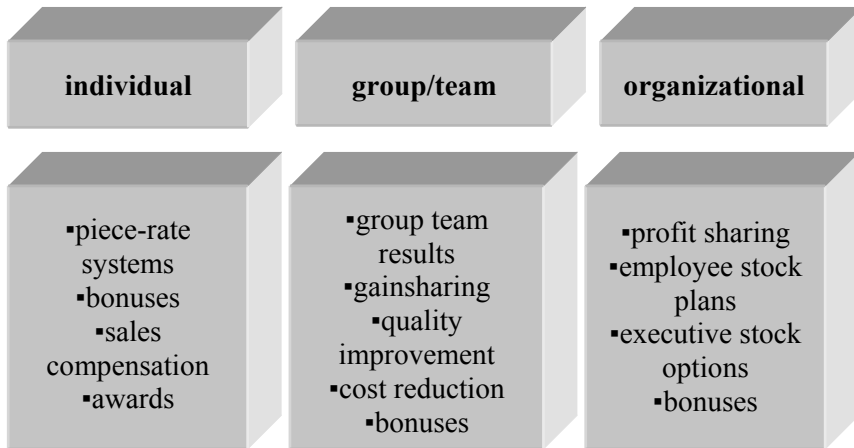
Ways of performance rewarding

In practice, a variable pay of employees' reward very often consists of three categories of variable pay – individual, group/team and organizational

incentives. *Individual incentives* are given to reward the effort and performance of individuals. *Group/team incentives* provide rewards to teams or groups of employees doing similar work connected with the performance of a team or a group. *Organizational incentives* reward people according to performance results of the entire organization.

The most usual instruments of performance rewarding are shown in the Figure 3.

Fig. 3 Categories of variable pay plans



Source: Mathis, R. L.; Jackson J. H. *Human resource management*. Mason: South-Western Cengage Learning, 2008. 592 p. ISBN 978-0-324-54275-2.

Additional ways of rewarding (plus rates)

A great number of organizations, which can be proved by the survey carried out by the authors, use also so-called additional forms of rewarding to reward their employees. These may be, but not necessarily, linked to performance of individuals or teams/groups. Among the most usual types of rewarding forms currently used by organizations can be ranked:

- compulsory and voluntary allowances (for work overtime, work on weekends, readiness to on-call work, deputizing...),
- personal pays (premium for loyalty, benefits on the occasion of jubilee...),
- thirteen wage,
- Christmas bonus,
- contribution for holiday,
- gratuities on the occasion of being retired and many others.

Employee benefits

Employee benefits are part of the system of remuneration. This is a non-claimable and non-monetary way of rewarding. Their amount is directly proportional to the rate of entrepreneurial firm's performance, and whether the employer considers benefits an important motivation factor.

Some companies have already implemented or they are currently implementing a so-called Cafeteria system of employee benefits. Cafeteria system of employee benefits is a system of optional blocks of employee benefits within which a certain volume of points or virtual money is assigned to an employee for which they draw benefits during a specified period (according to their wish) from a broader offer. Employees have an option to choose a 'package' of rewards that is most advantageous from the standpoint of their present needs and their present situation. The system of optional employee benefits is not a real novelty in this country, and companies that can afford time and financial investment gradually implement this novelty.

Some of them have a simpler shape in the form of rendering vouchers for leisure time activities others have been created more comprehensively on the basis of benefit for additional old age insurance, a possibility of longer holiday and many other variants of benefits.

3 Outcomes of a remuneration survey in Moravian-Silesian Region organizations

This survey was aimed at mapping the problem area of remuneration in organizations of the Moravian-Silesian Region. As a method of survey, asking questions in writing through in advance made up questionnaire had been chosen. Within the survey taking place in October and November 2009, 110 respondents were addressed.

On the basis of data processing obtained through a questionnaire survey encompassing various aspects of remuneration in organizations of the Moravian-Silesian Region it can be said that the organizations choose such approach to the creation of the system of remuneration that results from a concrete situation of the organization, from its actual condition. Among the addressed organizations there is not possible to find two organizations with the identical form of the system of remuneration and it even cannot be said which of those systems is 'the best and which 'the worst'.

Summary of survey outcomes

From the results of the survey it has followed that in 76 % of the approached organizations the strategy of remuneration was worked out. The

policy of remuneration from which the system of remuneration was consequently derived in concrete organizations, has been implemented in 93 % of respondents' organizations. Only in 49 % of the interviewed organizations the employees are getting acquainted with the system of remuneration, which is not a very positive finding. Here it is very important for organizations' employees to be informed about any changes in this system in time and in an understandable way.

As regards the structure of wages for workmen (blue-collar) positions, in 63 % of organizations a total pay consists of a basic wage (time wage or piecework wage) and a variable pay (in the form of premium or bonuses) which in 21.8 % of organizations depends on individual's performance and on organizations' results as a whole, and in 9 % of organizations a variable pay also depends on appropriate department's performance. According to our opinion, for workmen positions it is very important to support team work and at the same time to show the employees that in spite of being at the lowest hierarchical level they are also part of the whole and that they contribute to the success and competitiveness of the organization.

As regards the structure of salaries for administrative positions (white collars), in 85 % of organizations a total pay also consists of the basic and variable pay in the form of bonuses, premiums or personal performance evaluation. So-called multi-element remuneration has been set in 83 % of the approached organizations. It means that a variable pay does not depend only on individual's performance but also on team's or department's performance or on the results of the whole organization. From the above-mentioned we can come to the conclusion that organizations strengthen employees' loyalty both within the whole organization and also by encouraging team spirit inside the organization. Nevertheless, managers should not forget that the unsuitable application of individual bonuses may decrease firm's performance and the excessive emphasis put on individual performance will hinder team work, and rivalry will arise among employees. Furthermore, they should not forget that if it is difficult or impossible to evaluate individual performance if it hinders team work then it is more suitable to use rewarding based on team performance.

As for employees working as line managers the structure of salary is analogous to that at administrative positions. The total pay in 93 % of organizations consists of the basic and variable pay which always depends on individual's performance and then a combination of team rewards and rewards depending on the performance of the whole organization is used. Unfortunately, there are also organizations whose system of remuneration is based only on the raise in basic wages. Managers in such organizations should

consider whether it will be possible to maintain in that way set system of employees' remuneration in the present business environment and whether that way of remuneration motivates their employees to a higher performance. Nowadays, fixed wages without premium or bonuses seem to be a relic. Productivity of labor is much more distinctly influenced by a floating element of wage on condition this way of reward is directly and clearly dependent on performance and in modern organizations also on competences influencing the achieved results. Increase in the basic or claimable element of wages has a short-term motivation effect only.

As it followed from a carried out questionnaire survey, all approached organizations reward their employees by so-called additional forms of rewarding (fringe benefits). Forty two percent of organizations provide as an additional form of pay contributions to the jubilee, 34 % of organizations give gratuities to those employees who leave to be retired and 33 % of organizations reward employees for their loyalty and 30 % of organizations contribute to their employees by a certain amount of money for holiday. In practice, there are many other additional ways serving employees' remuneration either for their superior performance or just because they work in the organization. Many organizations, however, have considerably restricted providing employees with such beyond standard ways of remuneration as a consequence of the economic crisis.

Employee benefits are provided to employees in 82 % of approached organizations, in 59 % of those organizations there is a system of flat pay, i.e. that all employees in the organization receive the same employee benefits. Twenty three percent of organizations have implemented a differentiated system of benefits - different according to the hierarchical level, in 16 % of organizations this differentiated system varies according to work positions and in 2 % of organizations there is a differentiated system of providing employee benefits based on the number of years at work. As for the existence of the system of employee benefits in the shape of Cafeteria system, the system of benefits is of the same shape in 27 % of organizations. It is very remarkable that these days there are organizations that do not consider employee benefits as part of the system of remuneration (18.2 % of respondents) in spite of the fact that providing benefits is nowadays part of the personal strategy of most organizations.

Managers who are persuaded that employees are motivated by a financial reward only do not pay a sufficient attention and effort to other motivation factors to which employee benefits can be definitely ranked. Their significance is inexorably growing and in many cases they represent that notorious tilt at

scales in making decision whether to say yes to the offer of employment to this or that firm. Today, however, employees in organizations do not get benefits only for the reason they are their members, in some organizations the system of employee benefits is interconnected with rewarding according to their performance or rewarding according to their contributions. The current economic crisis, however, has 'signed' in a negative way under providing employee benefits - more than a half of companies have introduced actual measures in the field of cutting costs associated with employees. As a study worked out by PricewaterhouseCoopers - PayWell 2009 confirms, the effort of firms to save money in the field of employee benefits has reflected most of all in the field of cultural, sports and social actions.

Summary

In the present turbulent environment the remuneration of employees is becoming one of the basic aspects of choice, stabilization and self-advancement of workforce and competitiveness of the organization. So, how should organizations reward their employees? What forms of benefits should be used so that the system of remuneration could be strategic and motivate not only the current employees but also prospective ones and that all at ensuring reasonable cost? Creation of a fair, motivating and competitive system of employees' remuneration is not a simple matter. In practice, there are various forms of employees' remuneration systems it depends upon the organization itself which strategy of remuneration it will choose. Organization is not mostly able to reward every person individually nevertheless, it should always do its best for the system of remuneration to be 'made to measure' to its actual conditions and at the same time it should take into consideration the internal policy and corporate culture of a certain organization.

Bibliography

1. Armstrong, M.; Murlis, H. *Reward management: a handbook of remuneration strategy and practice*. London: Kogan Page, 2007. 722 p. ISBN 978-0-7494-4986-5.
2. Mathis, R. L.; Jackson J. H. *Human resource management*. Mason: South-Western Cengage Learning, 2008. 592 p. ISBN 978-0-324-54275-2.

Contacts

Ing. Andrea Čopíková
VSB-Technical University of Ostrava, Faculty of Economics
Sokolská 33, Ostrava 1, 701 21, Czech Republic
E-mail: andrea.copikova@vsb.cz

Ing. Petra Horváthová, Ph.D.

VŠB-Technical University of Ostrava, Faculty of Economics

Sokolská 33, Ostrava 1, 701 21, Czech Republic

E-mail: petra.horvathova@vsb.cz

Using Total Rewards – the Road to Attract and Retain Employees

Daniela Čverhová

University of Prešov in Prešov, Faculty of Management

Abstract

The contribution describes Total Rewards as a concept that looks beyond the standard forms of remuneration, such as salary, and recognises the role that many of the less tangible aspects of an employment package can play in motivating and engaging staff. These factors include non-cash benefits, training and career development, as well as the workplace culture and working environment. Appreciation of this initiative, it is often heralded as a powerful tool employers can use to improve their business results and performance, largely by helping to attract, motivate and retain talented staff.

Key words

Total Rewards, Salary, Benefit, Career development, Workplace culture, Working environment

Corporate objectives

When total reward first emerged as a concept in the 1990s, it challenged some of the traditional practices and philosophies behind compensation and benefits, which, according to professional association World at Work, was based largely on a one-size-fits-all approach. As employers began to see that strategically-designed, multi-faceted benefits programmes could give them an edge over their competitors, total reward gained further credence. Today, it is often heralded as a powerful tool employers can use to improve their business results and performance, largely by helping to attract, motivate and retain talented staff.

In his forthcoming book „Managing Total Rewards“, author Michael Armstrong states: "Reliance is not placed on one or two reward mechanisms operating in isolation. Instead, account is taken of every way in which people can be rewarded and obtain satisfaction through their work. The whole is greater than the sum of its parts. The aim is to maximise the combined impact of a wide range of reward initiatives on motivation, commitment and job engagement."

An effective total reward strategy also enables an employer to merge corporate objectives and needs with those of individual employees, says Charles Cotton, reward adviser at the Chartered Institute of Personnel and Development. "Having a total reward strategy aligns what the business needs to achieve with what employers need people to achieve," he says (in Sullivan, 2009). According to the CIPD's Annual reward management survey 2009, one-fifth of respondents have adopted a total reward approach, and a further 22% plan to do so this year.

How we define total rewards

The definition of total rewards always sparks debate. Generally speaking, there are two prevailing camps of definitions (Kantor, R. - Kao, T., 2004):

Narrow definitions. These virtually always comprise compensation and benefits, and sometimes include other tangible elements (e.g. development). This sometimes is referred to as „total compensation“ or „total remuneration.“

Broad definition. These can expand to encompass everything that is „rewarding“ about working for a particular employer or everything employees get as a result of their employment. Sometimes terms such as „value proposition“ or „total value“ are used interchangeably with „total rewards.“

Figure 1 includes a comprehensive list of terms that have shown up at one time or another in one company's definition of total rewards.

Fig. 1: Defining Total Rewards

<i>Direct Financial</i>	<i>Work</i>	<i>Affiliation</i>
- Base Salary	- Autonomy	-Athletic Leagues
- Bonus	- Casual Dress Policy	-Community
- Cash Profit Sharing	- Challenging Work	Involvement
- Stock Programs	- Constructive Feedback	-Diversity Programs
-Employee Referral Program	- Covered Parking	-Employee Celebrations
	- Ergonomics/Comfortable Workstations	-Employee Clubs
<i>direct Financial</i>	- Flexible Work Schedules	-Professional Associations
- College Savings Plan	- Free Parking	-Seminars
- College Tuition and Fees Commuter Reimbursement	- Interesting Work	-Spring and Holiday Parties
- Company Cafeteria	- Job Skills Training	-Support Groups
- Company Store	- Modern, Well-Maintained Workspace	-Volunteer Connection
- Dependent Care	- Open Communication	
- Dependent Scholaships	- Performance Management	
- Discount Tickets	-Promotion Opportunities	
	-Safe Work Environment	<i>Other/Convenience</i>

<ul style="list-style-type: none"> - Educational Assistance - Fitness Facilities Discounts <ul style="list-style-type: none"> - Health and Welfare Benefits - Incremental Dependent Care (Travel) - Insurance (Auto/Home) via Payroll Deduction - Long-Term Care Insurance - Relocation Program - Retirement Plan(s) - Scholarships - Stock Purchase Program - Student Loans - Tuition Reimbursement 	<ul style="list-style-type: none"> -Suggestion Program (No Cash) -Telecommuting Opportunities -Uniforms/Uniform Allowance -Workshops <i>Career</i> <ul style="list-style-type: none"> -360° Skills Assessment -Career Advancement -Lunch and Learn Series -Management Development -Mentoring Program -Open Job Posting -Pretirement Counseling -Service Awards -Training and Development 	<ul style="list-style-type: none"> -ATMs Onsite -Car Seat Vouchers (for Newborns) -Carpooling/Van Pooling/Shuttles -Child Care Resources -Credit Union -Employee Assistance Program -Employee Card and Gift Shop -Expectant Parent Program -Legal Services -Medical Center -Online Services -Onsite Food Services -Onsite Flu Shots -Onsite Dry Cleaning Pickup -Onsite Post Office -Personal Travel Agency -Wellness Program
--	---	--

Source: Kantor, R.-Kao, T.: Total Rewards. Clarity from the Confusion and Chaos. 2004.

Some organizations are beginning to gain ground on the competition by developing and implementing total rewards strategies. The key shift is to move from the traditional view that compensation or base salary is the answer to the problem, to a broader view that also focuses on providing career opportunities, improving the work environment and culture and incorporating benefits as part of the total package.

The solution to attract and retain employees – total rewards strategy

G. Stoskopf (2004) wrote, that for many employers, compensation strategies have focused almost exclusively on base pay. The primary goal has been to remain competitive, often targeting the median of some identified peer group. When one group member raises wages, others in the market respond by raising wages to the same level. In attracting and retaining employees, little thought has been given to other elements of the total rewards package. The

reality has been – and still is – that employees typically look primarily at base compensation when making a career decision.

Unlike base salary or even total cash strategies, moving to a total rewards strategy shifts organizational (and hopefully employee) focus away from base compensation as the only driver for recruitment and retention and incorporates other factors into the decision-making process. Evaluating the competitiveness and attractiveness of a job offered by a competitor becomes more complex, as the organization hopes to leverage other elements of the broader total rewards package (Sýkorová-Dorčáková, 2008; Tej, 2008).

When we write on total rewards, we have to mention (in addition base salaries) also other elements that are in it. Total rewards strategy includes (Watson – Singh, 2005; Sulliwán, 2009; Stoskopf, 2004; Sirková, 2007):

Compensation: including base pay and short- and long-term incentives,

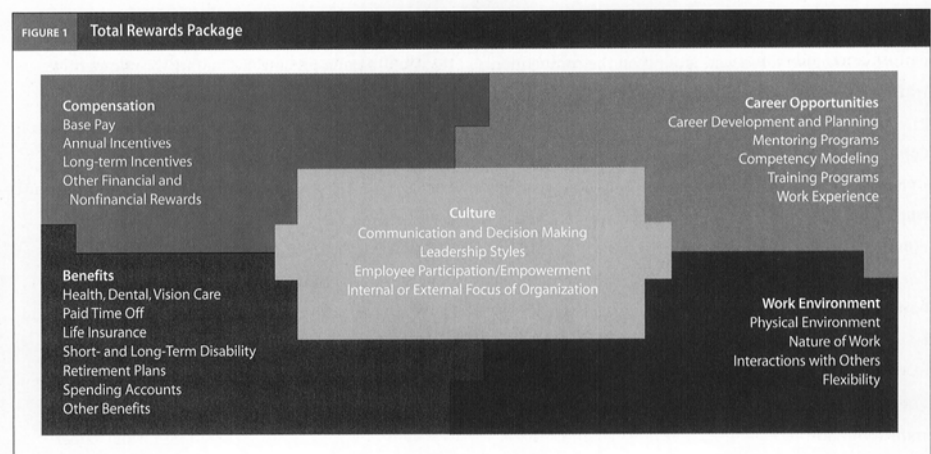
Benefits: including health and welfare and retirement benefits,

Career opportunities: including formal career ladder programs and training,

Culture: including the level of employee involvement/empowerment and leadership styles in the organization,

Work environment: including not only the physical environment, but also the amount of flexibility in scheduling and work-life balance programs available to employees.

Fig. 2: Total rewards package



Source: Stoskopf, G.: *Using total rewards to attract and retain health care employees.* 2004

In addition, a total rewards strategy maximizes the organization's return on compensation, benefits and other reward dollars invested, provides managers with multiple tools for encouraging employee development and rewarding performance, and creates a rewards package that meets or exceeds the value of a competitor's total rewards offerings. Factors to consider when developing the strategy include (Ali Taha - Dodecký, 2009; Birknerová, 2010; Stoskopf, 2004; Birknerová-Janovská, 2009):

- The desired level of external competitiveness (i.e., market leading, market competitive)
- The programs that will be offered to various employee groups to achieve organizational objectives while also maintaining appropriate internal equity
- How the total rewards strategy will support the achievement of key organizational objectives
- Ensuring that all elements developed or enhanced comply with state and federal regulations
- Effective communication is imperative for a total rewards strategy to be successful. Given that the message is more complex than the traditional focus on base pay only, a strong communication campaign that clearly identifies the value of the additional components of the total rewards package is essential.
- To understand the total rewards approach, it is important to look at each element individually. The elements of the total rewards puzzle work together to produce an impact on employee attraction and retention that is greater than any of the elements considered individually. It is truly a strategy whose whole is greater than the sum of its parts.

Summary

Implementing an effective and appropriate salary structure and can allow an organization to attract and retain key talent and control costs. Making variable compensation and flexible total rewards package will require considerable staff effort and extensive communication. It is also highly probable that they will be skeptical about major changes if the communications effort is not adequate. When reward practitioners address such issues in the process of adopting a strategic view of reward planning, they can help their organizations develop sustainable strategies that will contribute to success now and in the future.

Bibliography

1. ALI TAHA, V. – DODECKÝ, J.: Process of strategic programme documents creation and programme of economic and social development of town Prešov. In:

- New economic challenges : 1 st international PhD students conference; 21.1.-22.1.2009, Brno, Czech Republic. - Brno : Masarykova univerzita, 2009. - ISBN 978-80-210-4815-7. - S. 240-246.
2. BIRKNEROVÁ, Z.: Organizačné správanie – cvičebnica. Prešov: Prešovská univerzita v Prešove, Fakulta manažmentu, 2010, 195 s. ISBN 978-80-555-0128-4
 3. BIRKNEROVÁ, Z. – JANOVSKEJ, A.: Výučba a rozvíjanie komunikačných zručností budúcich manažérov. In Tvorivosť a inovácia v európskom vysokoškolskom priestore. Banská Bystrica: FHV UMB, 2009, s. 38-46. ISBN 978-80-8083-765-5
 4. FERENCOVÁ, Martina – GBUROVÁ, Jaroslava. Vnímanie vybraných nástrojov marketingovej komunikácie v masmédiách. In Zborník z medzinárodnej vedeckej konferencie doktorandov a mladých vedeckých pracovníkov EDAMBA 2010. Bratislava: EKONÓM, Ekonomická univerzita v Bratislave, 2010. s. 157-163. ISBN 978-80-225-2972-3.
 5. KANTOR, R. – KAO, T.: Total rewards. Clarity from the confusion and chaos. In: WorldatWork Journal. Third Quarter 2004. Vol. 13; pg. 7.
 6. TOMČIKOVÁ, M. - KRÚPOVÁ, I.: Riadenie ľudských zdrojov v medzinárodných podnikoch. In zborník z medzinárodnej vedeckej konferencie doktorandov a mladých vedeckých pracovníkov EDAMBA 2010. Bratislava: EKONÓM, Ekonomická univerzita v Bratislave, 2010. s. 258-264. ISBN 978-80-225-2972-3.
 7. SIRKOVÁ, M.: Implementácia výrobných kultúr v podniku. In: Novus scientia 2007 : 10. celoštátna konferencia doktorandov strojníckych fakúlt technických univerzít a vysokých škôl s medzinárodnou účasťou : 20.11.2007 ÚVZ Herľany, Slovenská republika. Košice : TU, 2007. s. 551-554. ISBN 978-80-8073-922-5.
 8. STOSKOPF, G. A.: Using total rewards to attract and retain health care employees. In: WorldatWork Journal. Third Quarter 2004. Vol. 13; pg. 7.
 9. SULLIVAN, N.: Total reward: Bells and whistles. In: Employee benefits magazine. London: may 2009. pg. 27. ISSN 13668722.
 10. SÝKOROVÁ, M.– DORČÁKOVÁ, M. Personálny manažment. Štátna vedecká knižnica v Prešove, 2008. 76 s. - ISBN 978-80-85734-75-1.
 11. TEJ, J.: Ekonomické vzdelávanie a hra. In: Medzi modernou a postmodernou IV. Súťaživosť ako kultúrotrvorný fenomén - limity efektivity : zborník vystúpení z medzinárodnej vedeckej konferencie (Prešov, 13.-14. február 2008). - Prešov : Prešovská univerzita v Prešove, 2008. - ISBN 978-80-8068-868-4. - S. 459-464.
 12. WATSON, W. B. Jr. – SINGH, G. Global Pay Systems: Compensation in Support of a Multinational Strategy. In: Compensation and Benefits Review. Saranac Lake: Jan/Feb 2005. Vol. 37, Iss. 1; pg. 33, 4 pgs. ISSN 08863687.

Contact

PhDr. Daniela Čverhová
University of Prešov in Prešov
Faculty of Management, Department of Management
Ul. 17. Novembra 1, 080 01 Prešov
E-mail: danka.cverhova@gmail.com

Knowledge Management in Response to Global Crisis Society

Robert Dimitrovski – Sime Arsenovski
FON University-Skopje

Abstract

The high education institutions (HEI) are permanently adapting to the needs of a specific ambience. At the moment, the concept integrated university (IE) is being rounded off in Europe in response to globalization. In conditions of a global crisis the question is how much the IU, as a huge and clumsy educational system (ES), corresponds to the need for fast answers and whether the controllability can compensate for the small flexibility. Atypical moves are necessary to safeguard the vanguard position without which the HEI is losing the philosophy of its existence. The time of theoretical-philosophical treatment of knowledge as an educational discipline must be transformed into action. The question is not just philosophical, but also very pragmatic and. The change from management of knowledge to knowledge management dislocated the conceptual and functional aspects of the HEI. The response from reactivity to imagination with a dose of high risk is the duty of the HEI management.

Key words

HEI, integrated university, HEI management, knowledge management.

1. Background

The strong computing and the processes of globalization have radically changed the style and way of life and work. Both these processes have strongly de-stabilized the conventional social life. The orientation to the local has been transformed into the orientation to the global without previous announcements. Nevertheless, the challenge of the change has always been the beginning of the creation of new values or transformation of the existing into a tool for dealing with them. Nobody speaks any longer about the inflicted problems, often even traumas, as a result of the inflow of the new. The situations should be governed, or else they will govern us. If we are not able to lead, we will be led (there will be fast or dead managers, says Drucker). Starting from this point, it is logical to pose the question about the attitude of the Higher Education (HE) towards the present moment. The

responsibility of the most conscious social segment in the creation of answers is normally more than just expected. Under such circumstances, it is justified to ask the question about the role of the Higher Education Institutions (HEI) as a destination that is a priori treating knowledge; and in this sense, what is the way, the procedure, or the relationship towards this knowledge.

The Bologna process that started as a Declaration with a political determination has first of all had a strong impact in the profiling of the overall social trends. Accepted without special reserves, it was sometimes implemented without necessary preparations. From improvisation to great concern for the quality is the scale of the tasks fulfillment. From coherence and concept sustainability to solutions in the course of an operational character are also the results obtained from the positioning. There still remain quite open questions, and to be honest, for some it is impossible to give long-term answers. The desire for totality, competence, and developed scientific approach to mastering knowledge is directly dependent on the events in the ambience. The global crisis is just a confirmation for the previously mentioned and a real foundation for defining the specific approaches to and strategies for an answer.

2. HEI Positions (Times New Roman, 12, Bold, left aligned)

The HEI have always been considered a destination for something that is above all practices, something new, and something that is by definition vanguard or is always taken as something that is yet to come. It is not by accident that the HEI are linked with the future. The vanguard creating the future is not an accidental category. By taking and respecting it as such, it was not by accident that the HEI have been given (or the HEI have fought for it) the status of exclusivity, a position developed on the basis of inaccessibility. However, this also implies a position with a tremendous duty. Henceforth, it is not by accident that the answers are expected from it in addition to the answers expected from the other social subjects. The question is: what and how much functional is the HEI answer to the global crisis? Are the HEI engaged only in theoretical teaching or are they strong enough to launch pragmatic solutions ready for practice? Are they different in their dogmatic security and sacredness in the auditoriums or do they prefer to develop it in interaction with real life? The answer, among the rest, will probably represent a kind of a positioning for mastering the understanding that the methods, the tools, and the instruments are created for and from the practice and only their cohesion is a very real argument as one of the foundations for ranking the

HEI. The answer that the HEI are compelled to give is definitely in close relations with knowledge.

Knowledge is a category that is primarily taken as totality of gained and accumulated information, facts, values, and situations. The knowledge has earned its social relationship a long time ago. Regardless of individual social formations, the relationship towards knowledge has always been marked by the attribute-esteem. Normally, in some periods it could be neglected or inadequately treated but the position has been more or less always consistent.

Nevertheless, it is necessary to say that the consciousness about knowledge, its function, need, and indispensability have been particularly alleviated in the last three decades. Science is becoming aware that in some regions the practice and opportunities have nearly reached the loft of accessibility and therefore knowledge is indicated as the only resource that can bring the situations to an optimum in this direction. Although the awareness for the situation and the needs for knowledge have not yet been everywhere lifted to the appropriate level, the efforts of the developed countries in this direction are evident. So, in the early 21st century the knowledge is marked as the only resource by which the associates and rivals will differ in the world of global competition. The computing has now ceded the room to the society of knowledge, as the industrial society had done it to it.

Normally, the current question is the one about the mission in the space of the HEI and how much it can remain the same with the changes occurring with the purpose of corresponding to reality. We here expect, more or less, a true definition of what first implies empiricism, but also its connection with imagination. The expected result of the mission in the HEI is definitely the logical as a complement to the imaginary in which the philosophical dimension oriented to the everyday reality is permanently interwoven. The everyday position and definitely the message of the HEI are not by chance linked to the presentation of the earthly variant of the irrationally sophisticated and atypical. The ordinary person, in conformity with his capacity, should understand the imaginary with the help of the HEI and by understanding it he should use it in his everyday life. The usage of the HEI is probably determined by the degree of quality of the messages that it is de-mystifying.

The declarative plights from Bologna have created obligations for the signing countries. The shift of the functional conception and the positioning of the institutional dimension with the universities are minimizing the autonomy of the faculty, which creates prerequisites for different practices. The integrated university now has a different position. But how close to practice is that position? *“The concept of corporative (integrated) university stresses in*

*the front plan the **process** and **not the necessity of the location** – with whose help all the levels of the employed (sometimes users and providers) participate in the experiences of the learning indispensable for the advancement of the working performances and enrichment of the business effects.”¹*

What does this imply? It implies an explicit explanation for the process of education. It is not true that conditions are unnecessary – they absolutely have to be on an exclusive level. However, the process is the priority. On its side it implies an adequate level of those who are carrying it out; only the better among the best who are in the front line can and must lead. But the real direction is defined only by the leaders who are doing it with sense and, normally, not with accidental knowledge.

Is the consecutive response to globalization contained in the creation of a global (integrated) university? There is the impression that there is an attempt to confront the big with a big reply. Is such a response not a quantitative reaction? The time will definitely show, but in the name of mobility uniformity is created, which is the deadly enemy to creativity. Can, in the era of multiculturalism and the need for greater flexibility and overall presence, the big that is by nature inert, result in a desired outcome? Does the big need to be the knowledge and not the quantity? Is the condition for big knowledge hidden in “big universities”? What is the essence of the big knowledge and how much liberated it can be in big environments? Although it is realistic to assume that the big systems have great opportunities, it can still be a big foundation for great failures. There are open questions without completed answers: they will differ in the achievements and in the practices. As a matter of fact, the theses are in the process of being proven, but they are not always confirmed.

So, the big answer lies in the big knowledge; it is even more so in a time of crisis. In such moments, the knowledge is not accidentally linked with management, as practice and as theoretical discipline. The right to citizenship with all the attributes of a serious practice and scientific discipline comes in different periods. Henceforth, the knowledge management and its infiltration in HEI that treat them as practice or scientific discipline are normally different. The articulation of knowledge in the institutions is a special story. The HEI are faced with a serious challenge and big commitment how to do it;

¹ E-Human Resources Management: Managing Knowledge People, Teresa Tores-Coronas & Mario Arias-Olivira, Ideal Group Inc London, 2005. – American-Productivity & Quality Center (APQC). (2000). *The corporate university: Measuring the impact of learning. Consortium Learning Forum best-practice report*. Houston, TX: American Productivity & Quality Center.

where to start from in the system integration of the HEI Knowledge Management; how much the KM is practiced inside the HEI; is the theoretical content intended for the student or for the HEI pragmatism with strategic implications; will the priority in the compilation of the present and the future profile of the HEI be the management, the knowledge, the higher education, or the approach in order to make it complementary; which and what are the experiences and the determinations of the institutions as a commitment to themselves and the activity that they are practicing? Starting from the fact that the KM is carried out, it is logical to start first thinking about the space, the positions, the intentions, the situations, and the perspectives in the HEI. However, many other questions will arise regarding the kind of the management, the formal post holders, the contents, and normally the horizons within which all this is carried out.

3. HEI management

The HEI is a place that creates and distributes new knowledge as a foundation and philosophy of existence. This is out of the question, although the questions concerning the position and the procedures determining this process are current. The relationship toward the knowledge and its applicability in the HEI was and will be different: from organization to intuition. So, although the process of the Bologna HEI re-definition and unification is in real expansion, yet the changes either are or are not consistent. So, probably it is worth first determining and placing in unity the terms HEI, management, and knowledge with the purpose of making an insight in the reality of the positioned knowledge.

Management is treated differently: from mystification to prosaic. The evolution and adaptability since its origin up-to-date is one of its characteristics. All so-far practitioners and theoreticians, consultants...have played a part in the creation of the scientific-professional and practical values of the management. It has always tried to provide efficiency. Situated in a space with institutional characteristics, it has always tried to ennoble it. Moving in the space of the practical but also scientific, it has created theories, methods, and tools on the application of which it was proving and alleviating itself. This is why its contribution in all the spheres of social existence is enormous. Perhaps the most important in the context of the topic would be the management as practice based on the foundations of science. Or, even better – the role and the position of the management in science and particularly its willingness for giving answers in conditions of a crisis.

The Knowledge Management today is the central subject but also practice that helps the companies preserve their place during changes in the global world. The speed of the adaptation to the opportunities of the new is the imperative for survival. Standing in front of the challenge for an answer at a short notice, they accumulate as much as possible organization knowledge, vision, and experience in the function of reaching the opportunities of the business. The KM as definition is still in evolution, although there are several common components: KM is the maximum use of the knowledge advantages in the companies, recognition of information, knowledge, vision, documents...²

In the beginning, KM was understood as a power which should be stored. Today we talk about knowledge which should be shared in order to be multiplied and that is a totally opposite approach.³ Knowledge Management is like a creation, a keeping and a transfer of knowledge into organizations.⁴ The transformation of the relationship and the knowledge management that is been happening for the last three decades is obvious. KM is often understood as an instrument or a tool or a way in which the mission of the company, the surrounding, the performances or the creating of the values based on a constant accumulated knowledge can be better understood. As a process it often includes occupation, saving and sharing among the employees the sections and/or other companies including the supplies from years aback.⁵

At the moment "Every business is a business of knowledge, and every employee is an employee of knowledge".⁶ Knowledge management has two directions: KM is oriented towards information (late 1980s) and KM is oriented towards people.⁷ The logics between these two meanings is connected with the time. The high technology was on the first place in the early conside-

² Barth, s. (2002). Defining knowledge management. Retrieved August 16, 2003, from www.destinationcrm.com/print/default.asp?ArticleD=1400

³ Allee, V. 12 principles of knowledge management: ASTD linking people, learning and performance. (2002). www.astd.org/CMS/templates/index.html?template_id=1&articleid=10595

⁴ Argote, L., McEvily, B., & Reagans, R. (2003). Managing knowledge in organizations: An integrative framework and review of emerging themes. *Management Science*, 49(4), 571-582.

⁵ Santosus, M., & Surmacz, J. (2002). The ABCs of knowledge management. CIO Magazine's Knowledge Management Research Center. www.cio.com/research/knowledge/edit/

⁶ Allee, V. 12 principles of knowledge management: ASTD linking people, learning and performance. (2002).

⁷ Sveiby, K. What is knowledge management? 2001, www.sveiby.com/library.html

rations in the era of the informatics revolution. The man and his knowledge (especially the hidden one) is a competitive advance in the new society moved the line of the interest. KM oriented people are more directed towards adoption, change and promotion of human individual skills and acts. This type of management is much closer to the HEI. This KM includes comprehension of the development and the use of hidden knowledge - the information and the vision only exist in the minds of the employees in the organizations.

According to Caplan the benefit of KM usually consists of 6 categories: ⁸

1. Fast innovations based on the free flow of ideas
2. Promotion of services by minimizing the time
3. Enlarging the tax incomes gained from the faster market
4. Enriching the forms of saving and prize for the loyalty of the employees
5. Original information and decreasing the costs by eliminating the extra workers
6. Decreasing the time for training

4. HEI Knowledge management

Management of knowledge today is a key component for each integrated university. The competency should be defined and measured by the university. In time the employees become familiar with their work by adopting the new knowledge which gives them the opportunity to get promoted. In that way they become more responsible for themselves, their knowledge and the students they are working with. The university has a rare opportunity for promotion. As in no place else the methodology for everyone's promotion is adopted abstracting the managing positions and emphasizing the professional-scientific.

The management of HEI is responsible for all this. The scale of its own integration and its positioning in the society will depend on the intensity of how much, when and how it will be able to understand of knowledge management. The good will and intention based on the wanted and the realistic can be found between the declarative and the real practice. It should certainly correspond with the way of managing and the definition on what means HEI management. At the same time a creation of a new management logics it is probably supposed, which will become a competent discourse of the new formula for an integrated university.

⁸ Kaplan, S. KM the right way. *CIO Magazine*, (2002).
cio.com/archive/071502/right_content.html

The question about the HEI modern management has an essential dimension. As the highest institution the University should not only spread the knowledge management, but it should also use it. Otherwise every other effort will be a demagogy. When the student (but the companies too) go to the university they expect to find the most eminent and not yet reached knowledge. In the contrary they have nothing to do there and they will search the lack of knowledge they came for somewhere else. That's why the university should not only synchronize the process and incorporate knowledge management in it as a scientific and educational discipline. It should practice that in a noticeable way. This should be understandable, instead of waiting for a period of evaluation and a correction.

If the university is reflected in the economy, then it is obvious that the university has a huge responsibility. The university itself with the force of mind and initial dimension of knowledge which it directly or indirectly assigns to its participants, creates the total ambient of the society. So the knowledge is the resource which directly impacts the society and the university is the basic link in its assignation and adoption.

There are at least two ways to manage knowledge: by teaching it as a scientific discipline and by managing it by infiltrating in the process of its transfer. Of course, a different compilation is possible too. Still, probably as in the case with the mentors, it should be considered that the knowledge management is an amphibious process. Both participants (the one that gives and the one that takes) should want to know when, at what time to assign the knowledge and to use it in the most consistent way.

It probably shouldn't be created some kind of a hybrid out of the two ways of treating the KM in HEI. And that is the biggest problem: to prepare a high-quality staff and on the other side to start using the principles of knowledge management in the HEI institutions as a model which will produce a development and maintenance. The question is also connected with the expected model of management at the University according the main dilemma: Management with knowledge or a knowledge management. "The corporative university is an educational entity which is a strategic tool created to help its basic company in achieving its mission through the activities that attend the individual and the organizational studying, the knowledge and the wisdom."⁹

The belief that the key factors and challenges are the mission and the structure for the integrated university and that they are connected to the

⁹ Allen, M. (Ed.). The corporate university handbook. Amacom, New York:2002.

organizational strategic goals is justified. Of course the directions and the focus are determined by numerous factors. According to Johan Fried¹⁰ we can identify two basic types that have individual characters based on five features: state acts, academic (own) acts, leadership of interests, managing (own) legal acts and competition. These five features are completed with: tradition, competition and its relationships, the kind of the state regulation, the kind and the form of the academic leadership, the kind of management etc. They complete the matrix of functionality of the integrated university.

5. Knowledge management perspectives into the integrated university

The basis of totally raising the success of the integrated university is the relationship with human resources. There are different conditions that generate and develop it. But unfortunately it rarely happens. Six key directions of the integrated university can be fixed:¹¹ 1.a department for training with a new name; 2.a career development based on competences; 3.a change management; 4. taking initiatives; 5. developing a leadership; 6. managing with suppliers and users

These directions are not mutually exclusive. Those are the differences that appear by identifying the focus of the members of all the universities. At this moment there is a functional model of IU which incorporates the following values:

1. Recognition of management with human resources as an instrument in the corporative strategy;¹²
2. An emergency for a concept of ignorance management and its integration in the organizational practices;¹³
3. A use and a continuous development of the new technologies as a support on the approaches of the E-learning in the development of the human resources.¹⁴

Observed as a whole, this trend can have a big contribution for strengthening the corporative university structure and it can affect its role in

¹⁰ Baumgartl. B, Jochen F., Anna Glass (eds),(преземено од De Boers, Enders and CChimank, *Orchestrating Creative Minds*, 2005) *From Here to There> Mileposts in Higher Education*, Navreme Knowledge Development publications, V. 7a, 2007

¹¹ Fulmer, R, *Best practices in corporate universities*. во M. Allen (Ed.), *Corporate university handbook*, New York: Amacom. . (2002).

¹² Prince, C., & Stewart, J. (2002). *Corporate universities—an analytical framework*

¹³ Argote, L., McEvily, B., & Reagans, R. (2003). *Managing knowledge in organizations: An integrative framework and review of emerging themes*.

¹⁴ Allen, M. (Ed.). *The corporate university handbook*. Amacom, New York:2002

the organization indirectly. These days the corporative university is actively involved in the researching the importance of training sections and their role of a link between the training, the working performances and the organizational goals.

There is no universal definition, structure or mission of the integrated university. According to some opinions, the meaning of the integrated university is synchronization of the possibilities and initiatives for cooperative learning as a business strategy (with the help of the individual development and development of the most important competences). In other case, the most important objective is to give the employees unlimited number of possibilities that will help them to develop their competences and capacities through different forms and method. To provide real possibility in real time for real people in purpose to bring knew knowledge closer to those who learn using the education technology (as a way towards realization of the mission), is one of the tasks but also a characteristic of the integrated university.

All three previous orientations have one sharing characteristic – the core of the IU: it is the aim to provide solid tie among the academic resources, knowledge management and educational technology. Future continuous evolution depends on the success to integrate these three elements. According to this concept, a descriptive and analytic frame¹⁵ was developed, focused on two concepts: The first is based on four functions: 1.The systems and processes of knowledge; 2.Establishing network connections and partnerships;3. The process of learning; 4.Human related processes.

The second is based on the fact that the efectivity of the IU is limited because of lack of integration, good management and education which should support the realization of the above mentioned four functions.

This puts stress on the relation between the IU and the organization, necessary to relate the two concepts with the process of constant evolution (development of the curriculum and implementation of the study programmes and the academic personnel) of all levels. Connection of the above mentioned factors raise other questions:

- Ways for opening possibilities for development of the learning
- Human resources management and studying tools and their short- and long time influence
- KM system in the function of development and sharing of the competences on organizational level

¹⁵ Prince, C., & Stewart, J. (2002). Corporate universities—an analytical framework

- How work tasks to be transferred from the experimental to the practical level
- How can IU use KM for raising the quality of learning

It should be stressed that this all means change in relations with others and itself. This means rejecting the existing commodity of the adopted values or protection in conditions of own extermination. The HEI system in the process of transformation from inaccessible to open spaces (to the citizenship) should pass through more phases. The successful and competent will do that redefining the egoism in real positioning of the knowledge as a connection of the two-side process of learning. Less successful will live with its own sense of creative existence without real transfer of the true values. Abstracting the capability for existence, knowledge will be double productive on the first way. This is the reason why HEI creates its authenticity depending on its capability to harmonize the relations and to recognize the most qualified not the most cunning and often sterile “army”. The road to the success we create ourselves.

Summary

In the process of continuous progress of IE there are three main directions: practical strategies, knowledge management and e-learning. They all have crucial influence on development of the human resources. The main role of IE in the attempts to be more successful is the creating of culture and cult of learning. The process of lifelong learning should be applied on itself and as a model to be applied to others. Understanding its own role, IE will understand that it is one of the most influential members in creation of the business and social surrounding and by raising its capacity, it will raise its influence on the society. Knowledge management is a task defined by the HEI on the postulates of the enterprising society: initiatives, creativity, competence and competition. Incorporated in the basis of HEI, these universal values can make HEI to strengthen the position it holds.

Bibliography

1. Allen, M. (Ed.). *The corporate university handbook*. New York: Amacom; Rossett, (2002).
2. E-Human Resources management: Managing Knowledge People , Teresa Tores-Coronas& Mario Arias-Olivia, Idea Group Inc © London, 2005,
3. Allee, V. 12 principles of knowledge management: ASTD linking people, learning and performance. (2002).

4. Argote, L., McEvily, B., & Reagans, R. (2003). Managing knowledge in organizations: An integrative framework and review of emerging themes. *Management Science*, 49(4), 571-582.
5. Argote, L., McEvily, B., & Reagans, R. (2003)
6. Barth, S. (2002). Defining knowledge management. Retrieved August 16, 2003,
7. Baumgartl. B, Jochen F., Anna Glass (eds), (from: De Boers, Enders and CChimank, *Orchestrating Creative Minds*, 2005) *From Here to There> Mileposts in Higher Education*, Navreme Knowledge Development publications, V. 7a, 2007
8. Fulmer, R, Best practices in corporate universities. bo M. Allen (Ed.), *Corporate university handbook*, New York: Amacom. . (2002).
9. Kaplan, S. KM the right way. *CIO Magazine*, (2002).
cio.com/archive/071502/right_content.html
10. Santosus, M., & Surmacz, J. (2002).
11. The ABCs of knowledge management. CIO Magazine's Knowledge Management Research Center. *www.cio.com/research/knowledge/edit/*
12. Same as 3 (Allee, 2002)
13. Sveiby, K. What is knowledge management? 2001,
14. Prince, C., & Stewart, J. (2002). Corporate universities—an analytical framework.
15. Prince, C., & Stewart, J. (2002). Corporate universities—an analytical framework.

Contacts

Dimitrovski Robert, Ph.D

Jane Sandanski, 3-2-13, Skopje, 1000, Macedonia

E-mail: dimitrovski_robert@Yahoo.com, robert.dimitrovski@fon.edu.mk

prof. Sime Arsenovski Ph.D

Jane Sandanski, 3-2-13, Skopje, 1000, Macedonia

E-mail: sime.arsenovski@fon.edu.mk

Development Trends in Management during the Reform of the Tax Administration of the Slovak Republic

Ján Dobrovič

University of Prešov in Prešov, Faculty of Management

Abstract

The sources for the given subject research were preliminary organisational structures and systems of tax administrations that are currently in place in Slovakia as well as in Hungary, Poland, the Czech Republic and Slovenia. The basic presumption of the research is the increase of the system effectiveness en bloc. Based on the trends analysis we assume, that the upcoming reform of the Tax and Customs Administrations shall contribute significantly to the increase of the system effectiveness and at the same time bring along the improvement in positive perceiving of taxes, seen by public as socially unpopular obligations.

Key words

Taxes, tax reform, tax administration, effectiveness, competitiveness

Introduction

The management of the Tax Administration in Slovakia is governed by principles introduced after 1989. Despite the effort of recent years to decrease the number of employees, the system of administration of taxes in Slovakia can be considered as inefficient in terms of increasing competitiveness of the state. At present, the general tendency is to complain about the rigid, unfriendly bureaucratic apparatus, which brings about unwillingness of the citizens to comply with tax obligations and more and more strict regulations of the state. The final consequences of such conditions lead in to the mentioned decrease of competitiveness of the state and decrease of its credibility in the eyes of its citizens.

Trends in the Management of the Tax Administration in the Slovak Republic

The starting point of the up-coming trends in the Tax Administration of the Slovak Republic is the Programme Declaration of the Government¹ from 4 November 2002 which in its Section „Economic Policy“ determines following

¹ <http://www-8.vlada.gov.sk/index.php?ID=918> – Programme Declaration of the Government 2002

objectives in the area of the administration of taxes: simplify tax legislation, amend parts of tax laws which allow for ambiguous interpretation, simplify the system of penalties in the tax area, decrease direct taxes, shift the tax burden from the direct taxes on to the indirect taxes, review and reevaluate the application of property tax rates, unify income tax rates, analyse possibilities of introducing a single tax (rate), strengthen own tax incomes of municipalities, determine own tax incomes of higher territorial units, ensure strict, direct, just and efficient tax collection and decrease tax rates, reduce tax evasion, create new system of horizontal financial settlement.

The Slovak Republic, not only thanks to the last tax reform from 2004, introducing single tax rate, has joined the progressive states of the European Union and has significantly strengthened its attractiveness and competitiveness.

From the point of view of levels of managing taxes within the Slovak Republic, the current situation can be defined as official two-level management system; however, by transposing some of the competencies of the Tax Directorate of the Slovak Republic on to the Branch Offices of the Tax Directorate of the Slovak Republic (hereinafter “BO TD”), it actually is a three-level management system, based on the need of efficient management of 102 local tax offices which cannot be assured from one centre. Such organization of the Tax Administration is not optimal from several reasons, which follow:

- the performance of main business processes is scattered throughout the whole territory, when each local tax office (whether small, middle-sized or large) carries out all processes related to the administration, audit and enforcement of taxes, disabling thus the optimisation of the performance of these processes as well as costs for their performance from the point of view of the tax administration as a whole¹⁶,
- the system of the distribution of local tax offices is not flexible enough because it does not enable to adjust the allocation of the main organizational units to the needs of the taxpayers,
- BO TD have become an administrative level of management within the current system of management, and for quite some time the need to concentrate the performance of certain processes (such as book-keeping, salaries) is becoming obvious as these are unnecessarily split between TD

² RAŠNER, J., RAJNOHA, R.: *Nástroje riadenia efektívnosti podnikových procesov* (Instruments for Managing Effectiveness of Business Processes), Zvolen : Technical University in Zvolen, 2007.

SR and BO TD and thus increase the administration and communication intensity (e.g. demand excessive administration and communication),

- in performing the work tasks of the employees of BO TD, some problems occur which are typical for those organizations who apply other levels and types of management apart from the linear management (such as project, technical, methodological etc.).

Based on the above mentioned, the outline of the planned reform takes into regard the principle of justice, neutrality, simplicity and un-ambiguity, efficiency and elimination of double taxation. Analyses of the Institute of Financial Policy from years 2001 – 2004 show the reasons and obvious need for a reform:

- complicated tax legislation – intelligibility,
- too many exceptions, exemptions and allowances leading to social ineffectiveness because the production and consumption is not governed by the demand and offer but by the tax advantages,
- variability of setting tax base enabling optimisation on the side of the taxpayer is increasing administrative costs and decreasing the efficiency of control.

From the point of view of management and organization of the Tax Administration, further reasons can be:

- complexity of organizational structure – ambiguity and duplicity of the functions and competences on the central and regional level,
- costly administrative apparatus of the Tax Administration,
- non-transparent project management, decreased possibility of controlling processes,
- unwillingness of taxpayers to pay taxes.

The intention of the Government of the SR declared in the mentioned Programme Declaration of the Government of the SR is to carry out a reform of the Tax Administration in such a way which will make it more effective, with the aim of providing methodological assistance to the compliant taxpayers and detecting those taxpayers who are avoiding taxes. The objective is to create conditions for efficient co-ordination of the public authorities, to guarantee the access of the citizens to the internet and secure the interconnection of information systems of the public authorities. Another priority of the Ministry of Finance of the SR is the reform of the Customs Administration aiming at unification of the processes of collecting taxes, fees, customs and contributions. The reform should thus proceed in two phases, the

first stage shall be the merger of the Tax and the Customs Administrations, the second stage will unify the collection of taxes, fees, customs and insurance contributions.

Tax Reform and its Expectations – selected results of the survey

- time schedule of the carried out survey: 25/09/09 – 31/03/10
- geographical structure: Prešov and surroundings, Košice and surroundings, Banská Bystrica – township, Bratislava – township
- age structure of respondents: 18 – 60 years
- employed as: clerks, businessmen, students, some did not disclose their occupation
- representative sample: 1 500
- number of collected and completed questionnaires: 2187

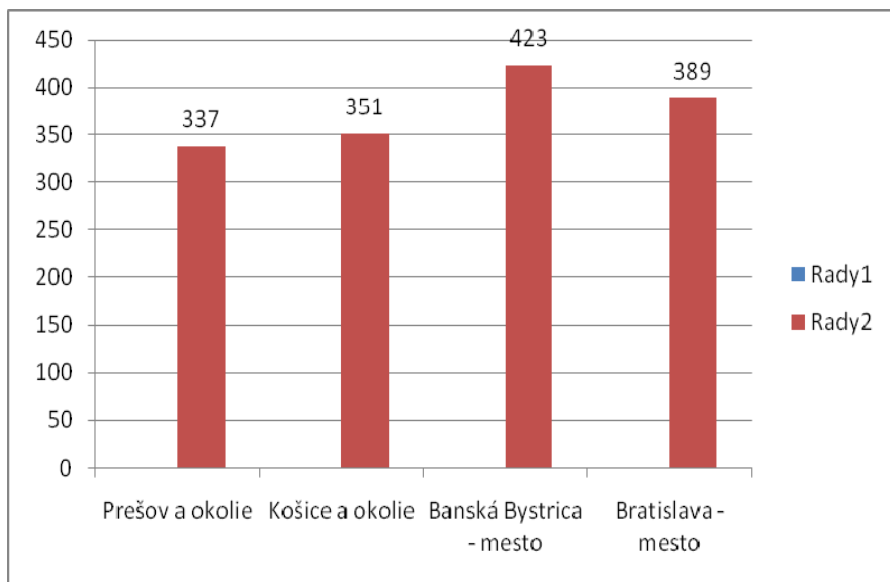
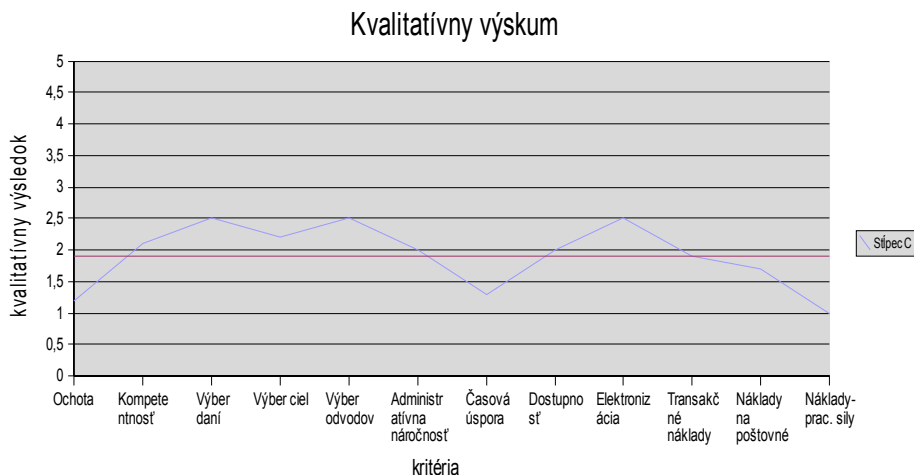


Fig. 1: Geographical structure of the respondents

Source: Own research based on the processed questionnaires

Fig. 2: Results of the survey



Source: Own research based on the processed questionnaires

Qualitative Survey = “Kvalitatívny výskum”

Willingness = “Ochota”

Competency = “Kompetentnosť”

Collection of taxes = “Výber daní”

Collection of customs = “Výber ciel”

Collection of contributions = “Výber odvodov”

Administrative burden = “Administratívna náročnosť”

Time saved = “Časová úspora”

Accessibility = “Dostupnosť”

Electronisation = “Elektronizácia”

Transaction costs = “Transakčné náklady”

Mailing costs = “Náklady na poštovné”

Workforce costs = “Náklady prac. sily”

From the total number of submitted completed questionnaires, I have selected 1500 to constitute the representative sample so that the homogeneity remains maintained. The results from Picture 2 show an overall discontent with the tax and customs system in the SR; the most critical being the costs for the workforce dealing with the taxes and customs, as well as time needed to process this agenda.

Taking into account the expected benefits of the tax reform as provided in the document “Outline of the Reform of the Tax and Customs Administrations with the View of Unifying the Collection of Taxes, Fees, Customs and Insurance Contributions”, elaborated by the Strategy Section at the Ministry of Finance of the SR, the planned reform should bring about improvement in the perception of all set criteria, and with the highest probability the current discontent will with the gradual introduction (of the reform) change for better.

Summary

Slovakia through the above mentioned process of tax reform approaches an effective tax system which will lead to the increase of effectiveness and competitiveness of our state amongst the EU member states. The impacts of the suggested changes can be divided into two main categories. The first category comprises the benefits of the reform of the Tax and Customs Administration in terms of saving the costs and time, growth of value added, efficiency of work etc. The second category is represented by the expenditures used for individual objectives of the reform of the Tax and Customs Administrations. Both of these categories can further be divided into the impact on taxpayer, that is the client / user, and impacts on the public administration. From the financial point of view, the highest importance have the impacts with permanent or repeated effect.

Bibliography

1. Kubátová, K.: *Daňová teorie a politika*. ASPI Publishing, Praha, 2003, page 86/264 page, ISBN 80-86395-84-7
2. Maede, J.E. *The Theory of international Economic Policy. II. Trade and Welfare and Mathematical Supplement*. In: The Canadian Journal of Economic and Political Science. 1995. Vol. 23, No. 4, 561 page doi:102307/139023
3. Musgrave, R. A., Musgraveová, P. B. 1994. *Veřejné finance v teorii a praxi*. Praha: Management Press, 1994, 582 page ISBN 80-85603-76-4
4. Pudil, P., Vybíhal, V., Vitek, L., Pavel, J. a kol. 2004. *Zdanění a efektivnost*. Praha: Eurolex Bohemia, s.r.o., 2004, 158 page ISBN 80-86861-07-4
5. Tax and Customs Administrations Reform. Framework Analysis. MF SR. March 2007.
6. Tax Administration Reform. Framework Analysis. Tax Directorate of the SR. 2002, 2004.
7. Act No.595/2003 Coll. on income taxes

Contact

Ing. Ján Dobrovič, PhD.
Management Department
Faculty of Management
Prešov University in Prešov
17. November 1, 080 78 Prešov
Slovak Republic
E-mail: jandobrovic@stonline.sk

Superior's Personality and his/her Leadership Style

Helena Harausová

University of Prešov in Prešov, Faculty of Management

Abstract

The article deals with the superior's personality and from the viewpoint of his/her leadership style, professional skills and personal characteristics. There are listed the results of the research whose aim was to discover what image about the ideal superior the respondents have and what leadership style their superior practices.

Key words

Leadership style, manager's skills, Professional, Interpersonal, Conceptual, Diagnostic, Analytical

Introduction

In order to effectively carry out individual functions of management, the superior needs various specific skills and characteristics that contribute to an effective communication with subordinates. Manager's features play also an important role. They contribute to the consolidation of interpersonal relations in the workplace.

1. MANAGEMENT STYLES

One part of the management of the organization is leadership of people. Cibakova and Rudy (1996, pp. 46) state that „the work results, the effectiveness of the manager's work depends on the work of his/her subordinates.“ We cannot disagree with this opinion. How should the superior lead his/her staff to achieve the set objectives of the organization? Several authors, dealing with this issue, try to answer this question. The results of their investigations are summarized in three main styles of the leadership:

1. Leadership styles based on the use of the powers (classic styles)
2. Likert's styles of management
3. Leadership styles based on managerial grid.

Styles of leadership based on the use of powers are the most popular. It is mainly about the following leadership styles:

- Autocratic (application of manager's will, power resources)

- Democratic (bilateral communication, accommodating approach to subordinates)
- Liberal (a rare use of powers by superior, a great freedom in the proceedings of subordinates).

2. MANAGER'S SKILLS

The key skills of managers are stated in literature. Sedlak (2007) states that „the key skills are generally considered to be the following:

1. Professional
2. Interpersonal
3. Conceptual
4. Diagnostic
5. Analytical

Based on research carried out at the time of the world economic crisis by EMA Central and the Catapult, which was attended by managers from 70 organizations, the elements that affect the management style were defined. Blyde (in Baker, 2010) among them included:

- The importance of relationships between superiors and subordinates,
- Superior's recognition of the fact that he/she does not have the control over the thoughts of subordinates
- Recognition that superior is limited by his/her abilities and characteristics,
- To be able to work out of a plan,
- Awareness of the fundamental importance of ethics
- Adaptability.

The crucial meaning of the communication between superiors and subordinates resulted from this research.

3. RESEARCH

We tried find out what the superior should be like and whether the subordinates are satisfied with his/her leadership style. The objective of the research was to determine what leadership style superior apply and what characteristics the superior should have. The research was conducted by questionnaires during January and February 2010. 178 respondents from Presov and Kosice self-governing region participated in the research. To assess the results of the research, we used the arithmetic mean. By question number 1 we asked what leadership style respondent's superior applies. The results are presented in table 1 and in graph 1.

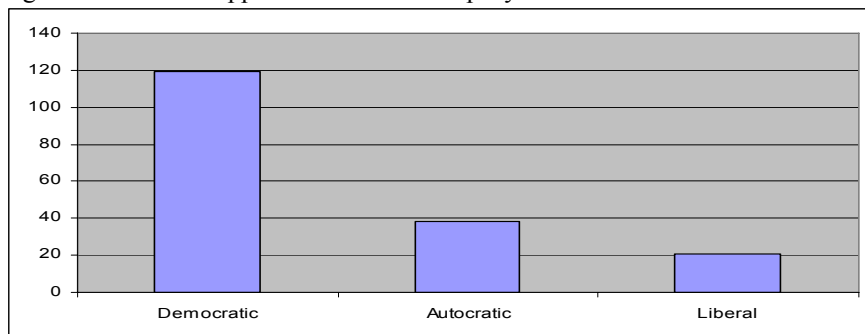
Table 1. Leadership style

Leadership style	Number	%
Democratic	119	66,85
Autocratic	38	21,35
Liberal	21	11,80
Together	178	100,00

Source: the own research

As seen from the table, the superiors exercising democratic management style are with a great advance in the first place in our research. For better visualization the results are documented by using the graph, as well.

Fig. 1. The order of application of leadership styles



Source: the own research

By second question we asked respondents whether they are satisfied with the leadership style of their superior. 94,96 % of respondents who said that their boss applies democratic leadership style, are satisfied with his/her style of management. Diametrically opposed results came out for those respondents who indicated that their superior applies autocratic leadership style and 86.85 % of respondents are with this style unsatisfied. We did not detect any significant differences in satisfaction. 42.86 % of respondents are satisfied with this leadership style and 57.14 % are not. Respondents who are satisfied with the democratic style of leadership appreciate that the superior involve them into the decision making about action affecting them, he/she communicate with them and is constructively critical. Those respondents who are unhappy with autocratic leadership style, indicate that their superior is unfair to them, little understanding and over-exercises his/her powers. Interesting reasonings resulted from those respondents who are not satisfied

with the liberal leadership style of their superior. They miss clear rules of activities coordination and appropriate application of powers.

Table 2. the order of priority of superior's skills/characteristics

Skills/characteristic Order

Professionally adept	1.
Fair-minded	2.
Communicative	3.
Constructively critical	4.
Understanding	5.

Source: the own research

We also determined the gender representation in senior management positions. Our research confirmed a well known fact that these positions filled mostly by men. 73.01 % of superiors from our research are men, 34.99 % are women.

4. DISCUSSION

The unsubstitutable role in managing an organization and leading the employees plays communication. „good working communication is an essential assumption and characteristic of the successful enterprises.“ (Molek, 2008)

How to get along with the superior? There is no simple and clear answer to this question. Each manager and each subordinate is an individual and complex personality with their characteristic behaviour. The task of every employee is to find an appropriate forms of behaviour to their superior. This issue is also dealt with by different authors who on the basis of researches and experience recommend various practices of behaviour. Those practices published in Communication Briefings – pe- seem to us the best.

- Do not try to change your superior. Change your behaviour so you can get along with him/her.
- Do not assume you know the objectives of your superior. Make sure you are aware of what he/she wants to achieve. In necessary, ask him for an explanation and point out the discrepancies if you feel your tasks do not track to the objective.
- Make sure your priorities are in line with the priorities of your superior.
- Do not give way to your feelings of injustice. Follow more than a half of his/her directions, so you assure the functioning of your working company.
- Study the personality of your superior, his/her leadership style and priorities. Determine the most appropriate time and way to present the information to him/her and how to get his consent to your proposal.

- If your boss does not take any of your suggestions, try to look at the decision by his eyes.

Summary

Significant application of one leadership style in practice is little effective. Even individual managers are not people that are typical democrats, autocrats or liberals. In practice there is often an overlap of the different leadership styles. The described research indicates that the superiors should be adaptable. The most effective and ideal would be if the superiors would combine different leadership styles in practice, depending on the specific situation, needs and requirements of the subordinates, the objectives to be achieved and tasks to be solved.

Bibliography

1. BAKER, G.: Growing the leader within. NZ Business, Auckland. May 2010. Dostupné na: <http://proquest.umi.com>
2. SZOMBATHYOVÁ, E.; MALÁK, M.: *Zdroje motivácie a ich využitie pri tvorbe motivačného projektu*. In: Trendy v systémoch riadenia podnikov : 8. medzinárodná vedecká konferencia, Herľany, 13.-14. október 2005 : Zborník príspevkov. Košice : TU, 2005. s. 1-9. ISBN 80-8073-358-9.
3. MOLEK, J.: Komunikace – přednost i slabina manažera. In Moderní řízení 8/2008 Jak vycházet se svým nadřízeným. Communication Briefings – pe-, In. Moderení řízení 9/2002
4. RUDY, J.; CIBÁKOVÁ, V.: Úvod do manažmentu a marketingu. ŠPU Bratislava. 1996. ISBN 80-85756-25-0
5. SEDLÁK, M.: Manažment. Bratislava: IURA EDITION. 2007. ISBN 978-80-8078-133-0
6. SIRKOVÁ, M.: Vzdelávanie ako súčasť podnikovej kultúry. In: Novus scientia 2005 : 8. celoštátna konferencia doktorandov technických univerzít a vysokých škôl, 9.11.2005, Košice : Zborník referátov. Košice : TU, 2005. s. 371-374. ISBN 80-8073-354-6.

Contact

Ing. Helena Harausová, PhD.
Fakulta manažmentu Prešovskej univerzity
Katedra manažmentu
Ul. 17. novembra 1, Prešov
E-mail: harausova@unipo.sk

Applying a Content Management System in EPOTEX

Jozef Hvorecký

College of Management in Trenčín

Jozef Svítek

EPOTEX, s.r.o., Považská Bystrica

Abstract

Enterprise Content Management Systems (ECMS's) can unify and simplify the administrative processes in any sort of organizations. In our contribution, we plan to demonstrate their advantages using as an example a concrete implementation in EPOTEX, s.r.o.

First, our contribution will explain the principles of ECMS's. Then, we will demonstrate how to capture administrative processes in order to transform them to the format appropriate for ECMS and how to analyze the quality of the mapping. Finally, we will discuss their implementation including the evaluation of their effectiveness and efficiency and demonstrate how their proper reflection inside ECMS leads to company's benefits.

Key words

Implementation of Enterprise Content Management System, ECMS, Document Management System, Efficient and effective administration

1. Introduction

Turbulent times make contemporary management very difficult. Everyday, a great amount of information is produced causing its learning and remembering almost impossible for man. At the same time, information and communication technology (ICT) offers support to these processes. It is not important to know everything; it is important to know where to find it out. In today's information inflow, missing key data may lead to the company's bankrupt. Thus, companies have to constantly improve and to innovate not only their own production processes but also the means of their control.

In our contribution, we discuss one of these approaches based on the implementation of a Enterprise Content Management System (ECMS) in EPOTEX Ltd. At the beginning, we are going to specify the basic terms as the terminology is still instable. For example, similar systems are often addressed as Document Management System.

Its concept is based on a parallel between the execution of the organization/enterprise functions and administrative processes that accompany them. In principle, ECMS's mirror selected production or organizational processes into well/specified sets of documents. In the beginning of the activity, the corresponding documents are automatically generated, sent to the responsible individuals, their reaction is registered and the order and terms of their completion are controlled. As the result, CMS becomes essential for planning, managing, controlling and evaluating internal and external processes of the company.

Later in our paper, it is demonstrated how to design such processes in order to allow the company to become more flexible and cost-effective. It is also explained why document management leads to more efficient administrative processes and how.

To minimize its costs and maximize its benefit, EPOTEX has implemented an open source ECMS. Using a similar approach, even small and medium-sized businesses can afford to implement this contemporary tool and to verify to what degree their style of management coincides with modern trends.

2. Enterprise Content Management System

Enterprise Content Management System is a software tool appropriate for designing and developing *"strategies, methods and tools used to acquire, manage, storage, preservation and delivery of documents relating to the process of organization. ECMS simplifies operating of unstructured information, wherever such information exists."* [1].

Companies nowadays face massive amounts of data. They are mostly handled by officers of various departments using their specific style. Due to that, large portions of stored information are not kept in a unified, systematic and structured way. Above that, it has often both paper-printed and electronic forms that occasionally differ. ECMS as a comprehensive package is capable of managing all data flowing through information channels of the company using just one, exactly specified format and handle it in a more transparent manner. Its content therefore becomes increasingly important for planning, managing, controlling, evaluating processes within the company, and helps in building of its position in the market.

Another advantage of ECMS is its ability to process both unstructured and structured data. As a result, companies can handle structured information (as spreadsheet data) and unstructured information (scanned files, non-formated text documents, video-, audio, and photo-documents etc.) using identical operations. Their security level, life-span and other key features can be

specified and automatically controlled. Information included in the system can be enriched by its descriptive attributes called *metadata*. According to [1], metadata are "data about data". They provide additional information about the file content as its context, format, data type, etc. The system also guarantees that all modifications as well as their authors are recorded.

Managing the growing quantity of information, and quickly provide relevant and managers in the company requires an appropriate tool for their systematic treatment. Depending on the size of portfolios and amount of information used by data, it is possible to use the appropriate part of ECM for processing. EMC itself is a set of subsets of support, enabling them to manage the processes and procedures within the organization. The next picture, adopted from [2] and then modified shows the ECMS basic subsets. In our paper, we will pay attention to part of the Workflow and Business Processes Management subsystem.

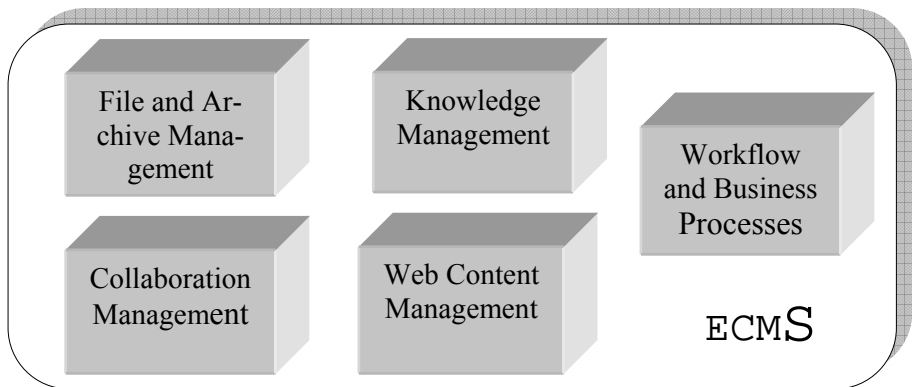


Fig. 1. *A typical ECMS structure*

ECMS works either as a separate client program or as a web interface (in the case of its implementation using cloud computing).

2.1. File and Archive Management

Communication methods in the company are constantly evolving from traditional forms such as documents and emails into contemporary forms of digital video and audio records. File and Archive Management is an advanced form of more traditional Document Management System (DMS). It controls the administration of corporate communications, supervises over the positioning accuracy and document sharing. We can say that the system accompanies the life cycle of business documents from its creation (in the form of a newly formed document or a result of its delivery from an external

environment), through its classification, forwarding to relevant departments, up to its archiving and destruction.

By utilizing tools such as the automated workflow, quick information retrieval and elimination of paper, companies can eliminate the lengthy paper shuffle of manual workflow, get approvals/reviews/edits done quicker, and create instant accountability within their organizations. With increasing regulatory pressures across most all industries companies must have a system to control regulated documentation to pass their audits. If they don't, they fail. Additionally, in USA, rules for legal discovery require companies in some industries to maintain documents for 7+ years. The price of not being able to find something in the event of a lawsuit or the cost of locating a document stored offsite in a warehouse will certainly cost more than most eDCS systems if it means company lose a lawsuit because of it. This alone makes the case for most companies to buy a document control system.

A high-quality accompanied documentation can also substantially improve the product quality. As [3] states, almost 50% of rejections of ISO applications are results of insufficient documentation.

2.2. Collaboration Management

The main objective of contemporary enterprises is to process their documents effectively and efficiently and to follow regulatory norms (e.g. ISO standards) in order to ensure quality their final products and their accompanying documentation. As many individuals cooperate on creation of the products, their collaboration is a must. Collaboration Management subsystem enables to prepare the accompanying documentation, to follow the execution of particular processes, to analyze their outcomes, to evaluate them, and – in the case of necessity - to restructure their production and compare the results.

As is explained by [2]: *"The content management system includes complex tools and approaches susceptible to capture sets of unstructured and semi-structured data and, if necessary to offer them in the required form to the user."*

2.3. Knowledge Management

The most of processes (both production- and administration-oriented) are organized in accordance to the company's knowledge and experience. ECMS forces its users to visualize them and express them in an exact manner. Due to that, the company must analyze them and evaluate their importance and efficiency. As a result, it learns a lot about its own function and starts

recognizing their relevance towards the presumed outcome and its quality. This also brings out a substantial portion of knowledge that was before overlooked, helps to identify the key processes and persons. The collected knowledge is then exploited for defining scenarios that will specify the workflow and the role of all users in it.

2.4. Web Content Management

Companies have to have their extranets and intranets which can be also operated using ECMS. The subsystem can organize external communication (with suppliers and customers) as well as internal communication among the company's employees using the Internet. The subsystem can for example automatically post certain publicly-accessed documents, remove them after their expiration period, etc. Another of its functions is connecting the internal users to crucial external resources relevant to their function.

2.5. Workflow and Business Processes Management

While the previous subsystems are part of other electronic tools, Workflow and Business Processes Management is very specific for ECMS. It serves as the system's "brain". To benefit of it, one must consider the company as a single unit with all its operations which are subsequently executed and finally lead to their prescribed outcomes.

The business processes (operations) may be combined into coherent sets, which mirror the business processes of the company. This function is executed using a two-level approach:

6. First, a scenario describing all details of a business process is defined. In this scenario, all partial activities, their corresponding documents as well as their required data are specified. The duties of all cooperating individuals, their access privileges and due dates are stated. The scenario serves as a "program" which must be followed when the particular business process is executed. The principle says: *One scenario corresponds to one business process. If a business process is not described using a scenario, it cannot be processed by ECMS.*
7. Scenarios serve as "dummy business processes". When a business process is activated (e.g. by a customer's request), its corresponding scenario generates a sequence of activities that must be executed in order to accomplish the task. Simultaneously, a "clock" is activated. It will control the terms of execution, the expiration of due-dates, duration of operations, completion of data, the user's privilege to read/write particular data, etc. As a result, the number of parallel scenarios in

ECMS equals to the number of active processes in the enterprise. Due to that, each and every individual process can be observed and controlled separately and the state of its completion evaluated simply and efficiently. As all completed scenarios are archived, the potential customers' complaints can be quickly analyzed and the responsibility for the faults identified.

3. Application of ECMS in EPOTEX

In this chapter, we describe an ECMS application in the company EPOTEX, s.r.o.

The processes of the company are oriented to building floor coats for factories using the coat resistant to occasional water-, oil- and diluted chemical splashes and spillage. Their creation requires a series of activities that bring the fruit only when cautiously and carefully applies. In order to avoid failures, relevant information must pass between the cooperation groups.

Recently, the company reacted to the crisis by switching to smaller business customers. As a result, it had to review its operation because the increased number of customers, an increase of the diversity of coating materials, and a greater amount of paperwork and accounting. Consequently, the company has to deal with a much greater number of written documents collaboratively processed by many people. Therefore there was need for the company to apply the system to help handle the increased volume of information.

Since the firm size ranks it between small and medium businesses, our selection of ECMS was also guided by financial limitations. The ECMS named *iProject* was chosen as it is a freely available open-source version of its commercial version. Another advantage of *iProject* is the existence of its Czech mutation. Due to that, the user training takes a shorter period.

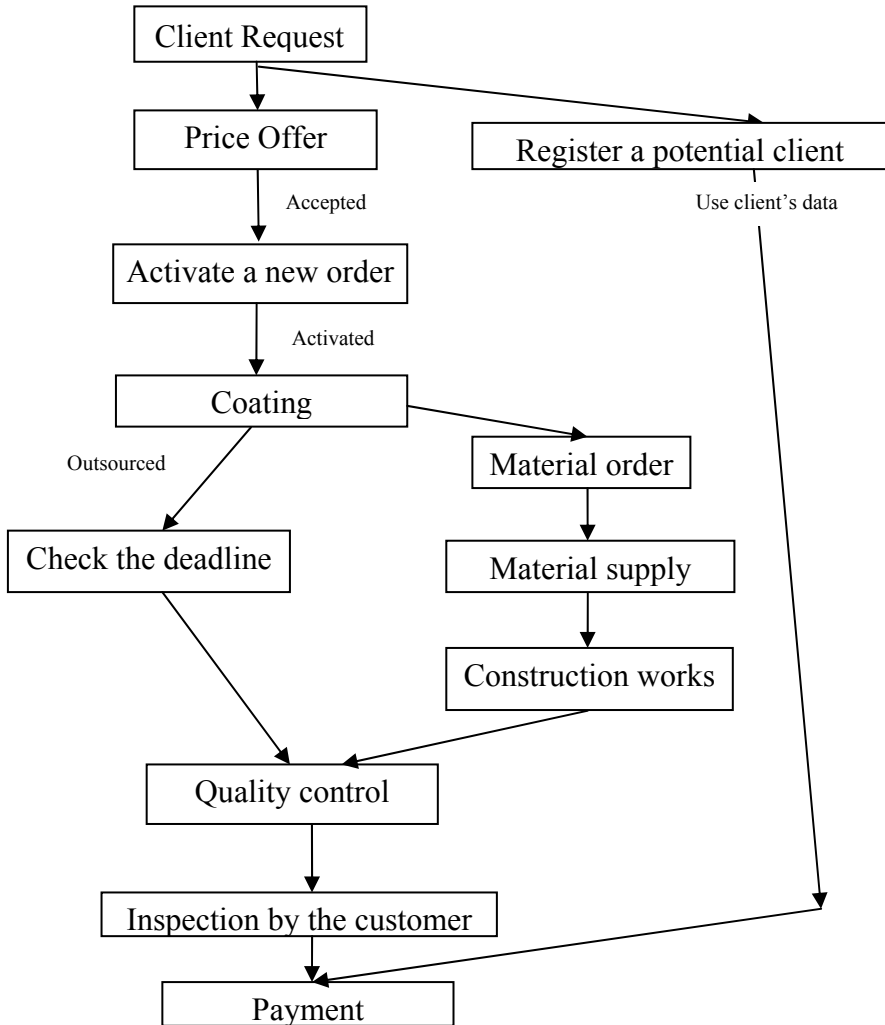


Fig. 2. Key Business processes in EPOTEX

During the coming years, our company plans to introduce the quality standards ISO. British Standard Institute conclusions indicate that ECMS can be very helpful in obtaining it. For better illustration and understanding of the overall process will be used the following chart, that shows the various document management and business content.

The implementation process will be done in a stepwise manner. The pre-purchase search indicated that the open source version of *iProject* can carry out individual processes within EPOTEX. The functionality of this present (public) version is fully satisfactory for the introductory period. The *iProject* contains enough tools to ensure the smooth transfer of our organizational processes. Our company decided to start the implementation with streamlining the work of individual employees or small groups.

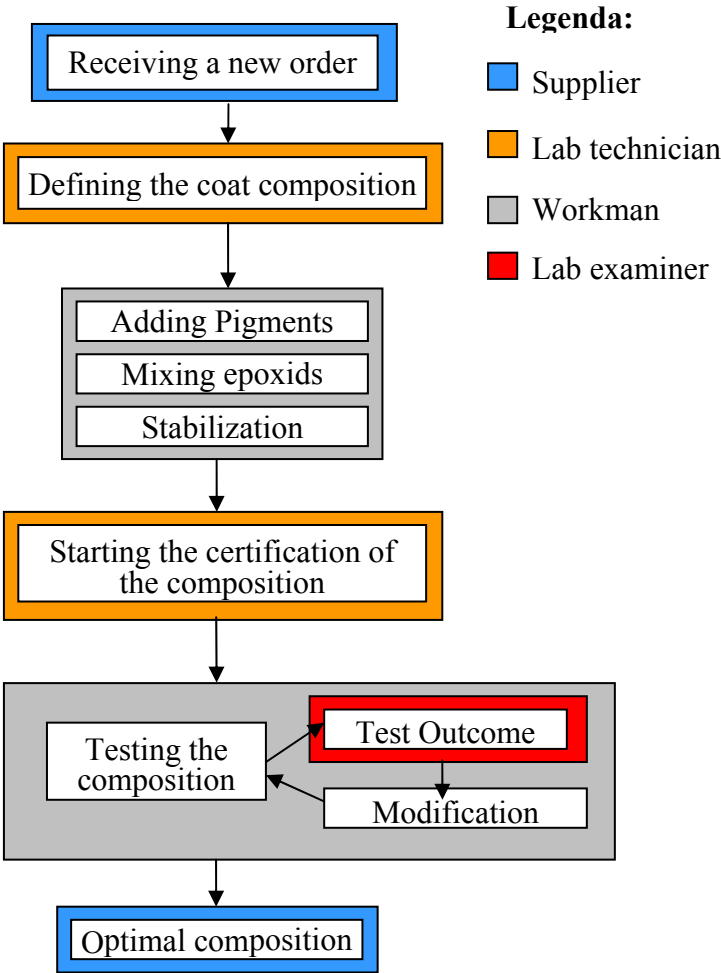


Fig. 3. *Mixing a composed coat*

Figure 2 shows the key workflow. The most of its components represent series of more detailed activities. For example, *Material Order* is in detail shown in Figure 3.

The process and its stages are in the rectangles of different colors. Each color corresponds to one person involved in the process. The process starts with a new order for a composite coat material. The supplier supplies its presumed components and the lab technician specifies the portions in which they should be later present into the composite used on the construction site. Accordingly to the technician's specification, a worker mixes a sample. The sample is then analyzed by a lab technician. If it corresponds to the requirements, the process ends. Otherwise, the proportion of the components is modified and the process repeats. The process is repeated until an optimal coat composition is found.

Each participant of the process contributes to mixing of the optimal composition and must make a special report on every completed step. As the same process repeats with every coat, ECMS can substantially contribute to the simplification of the corresponding documentation. The scenario consists of a collection of pro-forma documents for each stage of the process and specifies their order. Some of them might be included in the final version for several times, e.g. those with results of tests. They naturally must contain all tests so their later inspection can disclose the way how it was developed. The more detailed analysis can help in learning from errors and/or detours and possibly speed up the process in the future.

As every participant inputs the data personally (using his/her access privileges), the future identification of each individual is obvious. From one side, it will easily demonstrate the efficiency and quality of work of every participant. On the other hand, it can be used as evidence in the case of customer's complaints.

Summary

The implementation of first business processes shows that the system works quickly and the operation with documents becomes more efficient. Its Central Administrative Management Document Flow system offers some advanced tools as the disposal of unwanted duplicate files, informing all parties of any change imposed on the document and on its updates. Due to that, the quality of documentation is now guaranteed. In this type of industry, its quality is crucial. The quality and durability of coats directly depends on the composition. As the documents on its mixing are stored in the computer memory, they can be found quickly so the entire process can not only be

controlled by the company top management in the present but any future communication with the customer can benefit of it. For example, if the customer's repeated request will be identical, the composition will be retrieved instantly.

ECMS in EPOTEX has shown its first positive contributions to the company's organization of work and quality of its products. After this pilot period, the company plans to form scenarios for all its business processes.

Bibliography

1. Kunstová, R. (2009) *Efektivní správa dokumentů – Co nabízí Enterprise Content Management*. Praha: Grada 2009, 208 str.
2. Gála, M. – Pour, J. – Toman, P. (2006) *Podniková informatika*. Praha: Grada 2006, 484 str.
3. British Standard Institute: <http://www.xanadu.cz/img/noiso.gif>
Accessed on 7 July 2010

Contacts

Mgr. Jozef Svítek
EPOTEX, s.r.o., Hliny 1321/144
017 07 Považská Bystrica
E-mail: svitek@epotex.sk

Prof. RNDr. Jozef Hvorecký, PhD.
Vysoká škola manažmentu v Trenčíne
Panónska cesta 17, 851 04 Bratislava
E-mail: jhvorecky@vsm.sk

Importance of Knowledge Management for the Improvement of Crisis Management

Ondrej Jaško

Faculty of Organizational Sciences

Nenad Popović – Sloboda Prokić

Serbian Economic Center

Abstract

The current economic crisis has prompted great interest in the relatively new management discipline- crisis management and pointed out the necessity for its further development and greater applying. This contributed to the review of the possibility of its improvement based on the application of concepts from other management disciplines. One of them is the knowledge management. With that in mind, the goal of this paper is to point out the importance of developing capacity and improving the capabilities of organizational learning from crisis in order to contribute to the effective implementation of crisis management.

Key words

Crisis management, knowledge management, organizational learning

Introduction

In the course of modernisation and globalisation the demands in crisis management have changed rapidly. Both public and private sector organizations have to prepare for potential crises. It is no longer a question of if a major crisis will strike an organization, but only when. The effects of crises and disasters are often multiple; so interdisciplinary and scientific methods are required.

Although it is known much about the types and modes of learning and recognizes the connection between learning and crisis management, what appears to be missing in current knowledge of managers is how learning can be applied and how it contributes to effective crisis management. With that in mind, in this paper it would be examined how organizations learn from the crises and present a three-stage approach to organizational learning in crisis management. In the first stage, it would be explained how an organization adapts during an initial crisis event to an extreme situation. In the second stage, it would be examined how an organization adjusts its established plans and

procedures to achieve a desired outcome during the crisis. In the third stage, it would be considered how an organization develops a new course of action to achieve a desired outcome before, during, or after an extreme situation, and how they learn from the crisis. There would be also presented a model of crisis management system in order to ensure a new management mechanism for enterprises to effectively deal with the crisis.

1. Defining the term crisis

Early in the literature, crises have been conceptualized as an event and a process. Shrivastava (1995) opposed clearly the event versus process approach of crisis. As he states: “Crises are not events but processes extended in times and space (Shrivastava, 1995, 2).” In spite of efforts to distinguish these twofold aspects of crises, what remains striking is that most of the authors understate that crises are processes but still treat them as if they were events (Roux-Dufort, 2007a).

1.1 The event approach of crisis

In the event approach, crises are usually defined as a major occurrence with a potentially negative outcome affecting an organization, company or industry as well as its publics, products, services or good name (Fearn-Banks, 1996). Pearson and Clair (1998, 60) suggests that: “An organizational crisis is a low-probability, high-impact event that threatens the viability of the organization and is characterized by ambiguity of cause, effect, and means of resolution, as well as by a belief that decisions must be made swiftly”. Definitions focus on the triggering properties of the event (Shrivastava, 1992). Preconditions for this triggering event are created by organizational and environmental conditions. Triggering events are seen as an active constituent that put the organization to the test.

The very nature of crisis is precisely defined by the inability to plan or to measure the probability of occurrence and the potential risks. A crisis is a sudden and unexpected event that threatens to disrupt an organization's operations and poses both a financial and reputational threat (Coombs, 2007). The surprise effect is therefore a key feature of the event view (Reilly, 1993).

The event perspective is helpful to grasp the dynamics of a crisis in its acute phase and contributes to nourish the literature on how to react in times of crisis in order to reduce its impact and resume activity as soon as possible. In spite of this contribution, this view privileges a reactive stance amongst managers and is not the most adapted approach to improve prevention measures and learning capacities (Roux-Dufort, 2007a).

1.2 The process approach of crisis

In the process approach, crises are seen as being the result of a long period of incubation which bluntly occur through the influence of a triggering event (Roux-Dufort, 2007b). They are composed of many loosely coupled interdependent events, each of them setting the stage for the next one to occur in a chain reaction. Krystek (1987) defines crisis as an unwanted and unplanned process of limited duration and influence ability with an ambivalent starting point which ends in non-achievement of dominant goals and may ruin the company.

The tenets of the process perspective mostly lie on the idea that crises manifest in phases. This view suggests the existence of a genealogy of crises that may be potentially tracked long before the acute phase. The process perspective thus acknowledges that crises are the ultimate moment of a continuous cumulative process of organizational failures (Bowonder and Linstone, 1987).

Mitroff and Pearson (1993) argued that a business crisis was composed of five main crisis phases of signal detection, prevention/preparation, containment/damage limitation, recovery, and learning. The first four phases are sequentially arranged, while the last phase of learning feeds back into the first phase of signal detection. Mitroff and Pearson (1993) also pointed out the main tasks of an organization at each of the different phases to cope with a particular crisis, and the strategies decision makers could employ to achieve these tasks. In the signal detection phase, organizations focus on seeking signals that might warn of a crisis. Organizations need to take steps to isolate these warning signals from the normal signals that occur in the daily operations of organizations. The main task of the second phase of prevention/preparation is to eliminate or minimize organizational weaknesses based on the warning signals from the previous phase. The purpose of this phase is to prevent a crisis from happening or to be well prepared if it does occur. The third phase, the containment/damage limitation phase, occurs when a crisis is unavoidable. Having well-prepared plans is crucial to efficiently and effectively prevent the damage that can result when a crisis begins to spiral out of control, since organizations usually have limited time to make an intensive crisis management plan for damage control while a crisis is unfolding. In the fourth phase of recovery, organizations mostly focus on fixing the damage caused by the crisis by consideration of two important issues. The first is to determine the most crucial procedures and operations needed to ensure that the organization will survive, and the second concerns what the organization should do in order to serve its most important customers well after the crises. During the final phase of learning, organizations should examine what happened before, during, and after the crisis, and then identify what lessons have been

learned. In this way, organizations can use the experience of a crisis to enhance their capacity to prevent and mitigate the effects of a similar event. Learning is particularly important among these five phases, since it is crucial for organizations to avoid making the same mistakes as they deal with similar crises in the future. By means of appropriate learning practices, organizations can use the experience of a crisis to enhance their ability to prevent and mitigate the effects of a similar event.

Treating crises as processes rather than events influences the analysis of consequences. As abovementioned, in the event view, consequences are mostly treated according to their negative outcomes and threats. In a process approach, rather than considering the outcomes as entirely negative, the systemic study of crises seems particularly relevant to show that crises have revealing properties and uncover hidden factors that the organization would not have been aware of if the crises had not occurred (Shrivastava, 1995). Crises bring forth changes and transformations at different level. These revealing and transformation properties are triggered by a sudden collapse of the basic assumptions of the organization that prove to be inefficient to cope with the crisis situation (Pauchant and Mitroff, 1992).

The event and process-oriented approaches are naturally complementary. Nonetheless, the crisis management literature has mostly developed the first approach. The event perspective has the advantage of being directly operational inasmuch as it encourages individuals to develop reflexes and ways of reducing the consequences of the event. The process approach of crisis requires that we understand how organizational conditions build up to lay a favorable ground for crisis to be triggered (Roux-Dufort, 2007a).

2. Crisis management

Economic development and the dynamic environment of enterprises today make crisis management more and more important. It is essential to implement effective strategies of problem solving, appropriate prevention strategies and a comprehensive crisis management. Fearn-Banks' (2001, 480) definition of the concept is as follows "Crisis management is strategic planning to prevent and respond during a crisis or negative occurrence, a process that removes some of the risk and uncertainty and allows the organization to be in greater control of its destiny".

The objective of organizational crisis management is to make timely decisions based on best facts and clear thinking when operating under extraordinary conditions (Pearson, 2002). Companies have to develop adaptation strategies for discontinuously shifting conditions in short term. A

dynamic management of strategic and operational risks is necessary to be able to solve complex problems. An environmental analysis (identification of potentially threatening external influencing factors in the macro-economic, ecological, sociocultural, political, legal and technological field) as well as a business analysis (identification of threats within a business) are necessary to develop effective strategies of prevention and intervention. By having the right plans and capabilities in place before a crisis occurs, crisis damage to an organization can be minimized and the time to recover from it can be shortened immensely (Mitroff and Anagnos, 2001). Organizational crisis management effectiveness is evidenced when potential crises are averted or when key stakeholders believe that the success outcomes of short and long-range impacts of crisis outweigh the failure outcomes (Pearson and Clair, 1998).

3. Organizational learning in crisis

Developing strategies to mitigate vulnerability is organization learning in its most basic form. Organizational learning theory is an extension and refinement of systems perspectives (Seeger et al., 2003) and is rooted in a balance between stability and change (March, 1991). Concepts of organizational learning can be placed along a continuum with cognition at one end and behavior at the other.

Argyris and Schon (1978) define organizational learning as the process of detection and correction of errors. In their view organizations learn through individuals acting as agents for them: "The individuals' learning activities, in turn, are facilitated or inhibited by an ecological system of factors that may be called an organizational learning system" (Argyris and Schon, 1978, 117). Argyris and Schon (1978) were among the first to propose models that facilitate organizational learning. They distinguish between single-loop and double-loop learning. In single-loop learning, individuals, groups, or organizations modify their actions according to the difference between expected and obtained outcomes (Argyris and Schon, 1978). In double-loop learning, the entities (individuals, groups, or organization) question the values, assumptions, and policies that led to the actions in the first place. If they are able to view and modify those, then second-order or double-loop learning has taken place (Argyris and Schon, 1978). Huber (1996) detailed a synthesis of processes and kinds of organizational learning. Learning involves four basic processes: 1) acquisition of knowledge; 2) distribution of information among various sources; 3) interpretation of information when commonly understood interpretations are available; and 4) storing knowledge for future use in organizational memory. Within this framework, learning is a change behavior through information processing.

Learning is crucial in order for organizations to improve their chances of surviving future crises. Although the literature on organizational learning is vast, the amount of literature that focuses on learning for crisis management is relatively small. Since organizational learning is a dynamic process that occurs over time and across levels of the organization, and creates a tension between exploration and exploitation, crises may present a unique opportunity for organizational learning (Crossan, Lane & White, 1999).

Drawing upon Argyris and Schon's (1978) notion of single and double-loop learning, Simmons (2009) develops a three stage crisis management model that facilitates the mitigation of extreme crisis events, utilization of standard operating procedures, and detailed planning procedures before, during, and after crisis events. Namely, organizations must develop systems, which enable them to execute tasks rapidly. Simmons (2009) proposes that in extreme situations, organizational learning occurs during three distinct stages: stage I- adaptive learning, organizations are responding to situations as they occur; stage II- single-loop learning, organizations modify their actions according to the difference between expected and obtained outcomes; and stage III- double-loop learning, organizations modify the state based on prior events, experience, and training to develop a new course of action. According to Simmons (2009), organizations can learn in three ways from crisis situations. First, organizations can learn by adapting to extreme events, as they occur, which leads to mitigation of the crisis events. The mitigation of extreme circumstances prevents the situation from escalating and creating additional financial losses, physical property losses, or worst case losses of life. Second, organizations can use established standard operating procedures and adjust them using single-loop learning to achieve the desired outcome. It is in line with findings of Hale, Hale and Dulek (2006), who argued that the presence of a written crisis management plan, even one created for a dissimilar event, aids in quickly identifying feasible actions. Without such a plan, organizations function less efficiently and may spend precious time attempting to create solutions that they cannot identify (Hale et al., 2006). Third, organizations can create new standard operating procedures based on lessons learned from a crisis situation. Double-loop learning enables organizations to analysis adaptive and single-loop learning that occurred during a crisis event.

Robert and Lajtha (2002) proposed that performing structured and continuous learning activities could help organizations to minimize uncertainty about business crises and equip key managers with the capability, flexibility and confidence to deal with unusual events. A structured learning activity should lead to the restructuring of company policies and actions to correspond to the

changes in both the internal and external environments of organizations. Furthermore, a structured learning activity must be capable of embedding what is learned into elements of organizational systems, such as rules, regulations, or technology. Individuals are then empowered by not only their own perceptions, but also these external control agents to make use of their acquired knowledge in the real operations of the organizations. By performing this learning activity, the organization can continuously enrich its understanding about its prospective crises and enhance its capacity to anticipate and either prevent or mitigate their impact if they do occur.

In the purpose of supplying a new management mechanism for enterprise to deal with crisis effectively, Li and Wang (2009) have developed a crisis management system model architecture that is based on three layers: knowledge resources layer, management process layer and organizing layer. Knowledge resource system includes expert panel and database storing crisis management knowledge. Process layer consists of process system of crisis management. According to knowledge acquisition method and utilization, crisis management process system is divided into three subsystems: crisis early-warming subsystem, crisis processing subsystem based on knowledge demand and crisis evaluation subsystem, respectively. As a whole system, every subsystem and function module joins each other during the crisis lifecycle with knowledge transferring. A knowledge-based management organization system is the base and guarantee of crisis management, which involves many departments. Previous research results support the importance of the existence of crisis management teams in organizations (Smits and Ally, 2003). Taking business crises as opportunities to bring new configurations into play in order to facilitate change of organizational structures for improvement is a preferable result of an organization's learning practice in responses to a business crisis. Namely, change/improvement of organizational structures is an appropriate indicator to assess an organization's learning effectiveness in times of crisis.

Summary

In the uncertain market situation, knowledge becomes more and more important. Thus, the theory and technology of knowledge management that are used in enterprises have potential application in the management of crises. Applying knowledge management to crisis management is significant to both enterprise and theoretical studies. However, research on knowledge management in crisis management is still in its start level, and needs more scholars research on it. The perspective of organizational learning effectiveness concerns how well an organization can manage to eliminate its

weaknesses by taking the occurrence of a business crisis as an opportunity for organizational changes and learning. How to make good use of knowledge management to improve the efficiency of crisis management will become an issue in strengthening enterprise management capability.

Bibliography

1. Argyris, C., & Schon, D. A. (1978). *Organizational learning: A theory of action perspective*. Reading, MA: Addison-Wesley.
2. Bowonder, B. & Linstone, H. (1987). Notes on the Bophal accident : risk analysis and multiple perspectives, *Technological Forecasting and Social Change*, 32:183-202.
3. Coombs, W. T. (2007). Protecting organization reputations during a crisis: The development and application of situational crisis communication theory. *Corporate Reputation Review*, 10(3), 163–176.
4. Crossan, M. M., Lane, H. W., & White, R. E. 1999. An organizational learning framework: From intuition to institution. *Academy of Management Review*, 24(3): 522-537.
5. Fearn-Banks, K. (1996). *Crisis communications: A casebook approach*. Mahwah, NJ: Lawrence Erlbaum Associates.
6. Fearn-Banks, Kathleen. 2001. "Crisis Communication: A Review of Some Best Practices". In Heath, R. L. (ed). *Handbook of Public Relations*. Thousand Oaks: Sage Publications. 479-485.
7. Hale, J. E., Hale, D. P., & Dulek, R. E. 2006. Decision Processes During Crisis Response: An Exploratory Investigation, *Journal of Managerial Issues*, Vol. 18: 301-320.
8. Huber, G. P. (1996). Organizational learning: The contributing processes and the literatures. In M. D. Cohen & L. S. Sproull (Eds.), *Organizational learning* (pp. 124-162). Thousand Oaks, CA: Sage.
9. Krystek, U.: *Unternehmenskrisen*. Wiesbaden, Gabler 1987.
10. Li Zhihong, Wang Haiyan, Research on the Enterprise Crisis Management System Basic on Knowledge Demand, *Proceedings of the 2009 International Symposium on Web Information Systems and Applications (WISA'09)*
11. March, J.G. (1991). Exploration and exploitation in organizational learning. *Organization Science*, 2:71-87.
12. Mitroff, I. I. and G. Anagnos. 2001. *Managing Crisis Before They Happen: What Every Executive and Manager Needs to Know About Crisis Management*. New York: Amacom.
13. Mitroff, I.I. & Pearson, C.M. (1993). *Crisis management*, San Francisco: Jossey-Bass.
14. Pauchant, T.C. & Mitroff, I.I. (1992). *Transforming the crisis-prone organization. Preventing individual, organizational and environmental tragedies*, San Francisco : Jossey Bass Publishers.

15. Pearson, C. M., & Clair, J. A. (1998). Reframing crisis management. *The Academy of Management Review*, 23(1), 59–76.
16. Pearson, Christine M. 2002. "A Blueprint for Crisis Management". *Ivey Business Journal*, January/February: 69-73.
17. Reilly, A.H. (1993). Preparing for the worst : the process of effective crisis management, *Industrial*24(3): 522-537. and *Environmental Crisis Quarterly*, 7(2): 115-143.
18. Robert, B. & Lajtha, C. 2002. A new approach to crisis management. *Journal of Contingencies and Crisis Management*, 10(4), 181-191.
19. Roux-Dufort, C. (2007a). A passion for imperfections: Revisiting crisis management. In C. M. Pearson, C. Roux-Dufort, & J. A. Claire (Eds.), *International handbook of organizational crisis management* (pp. 221–252). Thousand Oaks, CA: Sage.
20. Roux-Dufort, C. (2007b). Is crisis management (only) a management of exceptions? *Journal of Contingencies and Crisis Management*, 15(2), 105–114.
21. Seeger, M. W., Sellnow, T. L., & Ulmer, R. R. (2003). *Communication and Organizational Crisis*. Westport, CT: Praeger.
22. Shrivastava, P. (1992), *Bopha! Anatomy of a Crisis*, London, P., Chapman.
23. Shrivastava, P. (1995), *Ecocentric management for a globally changing crisis society*, 54th Meeting of the Academy of Management, Vancouver, BC
24. Simmons Christopher, *Crisis Management & Organizational Learning: How Organizations Learn from Natural Disasters*, 2009, http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1351069
25. Smits, S. J. & Ally, N. E. 2003. "Thinking the unthinkable" – Leadership's role in creating behavioral readiness for crisis management. *Competitiveness Review*, 13(1), 1-23.

Contacts

Ondrej Jaško
 Faculty of Organizational Sciences
 Jove Ilića 154
 E-mail: ondrej@fon.bg.ac.rs

Nenad Popović
 Serbian Economic Center
 Brankova 30
 E-mail: nenad.popovic@abs.rs

Sloboda Prokić
 Serbian Economic Center
 Brankova 30
 E-mail: sloboda.prokic@srpskiekonomskicentar.rs

The Modern Management Methods

Euba Kazimírová

University of Prešov in Prešov, Faculty of Management

Abstract

Modern organizations are most beneficial of the 21. century. Today, where there is dramatic development of technology, economics and science, each organizations must to apply modern management methods, and to focus on competend educated managers, to achieve success. This article, presents interesting informations about new modern development tendencies in the management, resulting from constant changes in external and internal environmental management systems.

Key words

Outsourcing, benchmarking, management of change, manegement of knowledges, human resources management.

1. Management of change

All organization that wants in the current turbulent and globalized environment to thrive and to survive, must be taken in the management of human resources, the special attention to modern trends and new information technologies. Many people with different skills, knowledge and interests are coordinated in various organizations and are using their resources in ways that ensure the effective and impressive meeting the objectives of the organization to be as successful as possible.

The current period is characterized by a number of changes, which operate to all organizations. Whether are changes in different regions or changes in business and management. The result this changes are a new requirement for employees, managers at all levels of management.

International Institute of Management in Brussels highlights the management of human resources for management of changes. Focuses on workers who have benefited from progress. Management of change brings quality of life of workers in organizations and tolerates differences of personality. The changes are now inevitable manifestation of reality, everything is evolving and subject to variability. The main task of management is to manage change. Therefore, the management changes at the

center of managerial work. "It is very important that each organization's perceived changes, knowns to respond to change." (Slávik, 2000)

The whole process change of management by J. Veber (2004) is file of activities related to monitoring, preparation for change and in particular by implementing the changes. Managerial literature presents a series of recommendations, procedures and methodologies, which give detailed instructions, improvement, implementation of procedures and approaches depending on the type of change.

The major approaches to implementing of the changes can include the following:

- Theory bottlenecks (TOC) – recommending improvements to places, which are a weakness, weak point in the system (TOC - Theory of constraints). It says, its method is also "critical chain", where the strength of the chain determines its weakest link. If the organization intends to achieve the above objectives must follow by the weakest points, which when strengthened, so strengthen the entire organization.
- Access to Quality Management (TQM) - totally quality management, which is based on the standard requirements of ISO 9000 and ISO 14000 and both the TQM approach. Important role here has the human factor, because this method requires a response in the moment, when there some disagreement.
- Access to permanent improvement – a significant improvement activities is usually finding a solution to eliminate a problem. The most famous is Deming PDCA cycle of improvement, process improvement recommended the following steps: P (plan) a direction to plan improvements, D (to) to implement certain improvements, C (check) verification, monitoring results with respect to intention, and (act) introduction corrective measures in place. In a closed system PDCA will follow next.
- Reengineering (restructuring) - the goal of reengineering is to make minor improvements, radical changes, for example mission, strategy, expanding the organization, changes in techniques and technologies, changes in organizational structure and so on.

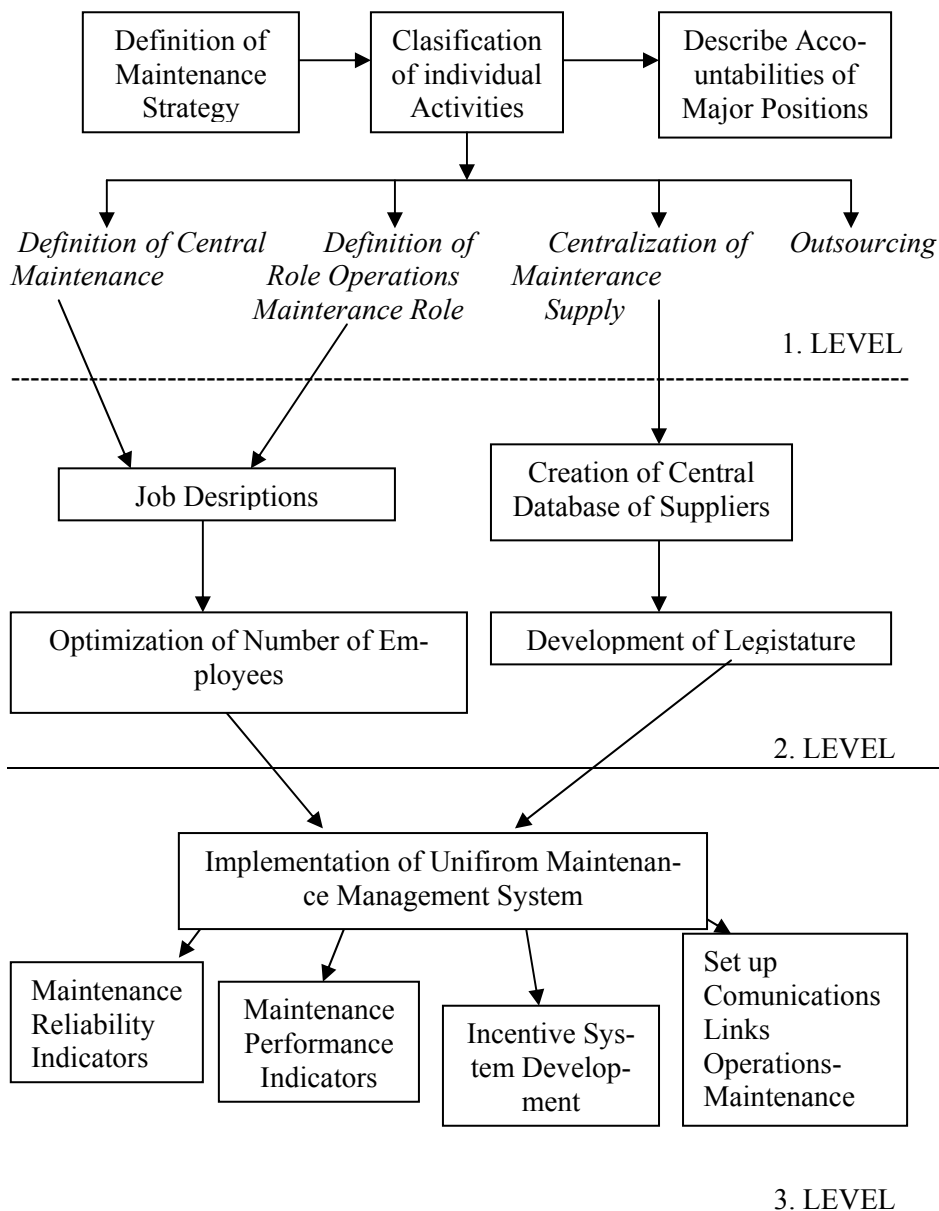


Fig. 1 Multilevel diagram for the Maintenance Reengineering
 Source: Pálffy, A. Outsourcing, management and globalization, 2008

According to what extent the restructuring activities in the company's hit, reengineering, we distinguish the following levels:

1. WPR (work process reengineering) – goes here about the major changes to a business area, but do not go beyond border the corporate department.
2. BPR (business process reengineering) – goes here about changes that have a affect on the entire company, the implementation of major changes that alter the organizational architecture of the enterprise so order to strengthen integration and synergies.
3. TBR (total business reengineering), this level is affected not only the company but also its relevant surroundings radical changes that are oriented primarily in the field of management.

2. Benchmarking

The rapid development of society and societal processes, together with the advent of globalization, caused that organizations are unable to secure its growth performance. One method of ensuring the growth of performance of the company is benchmarking method. The role of benchmarking in the present is not only seek an answer to the question "Why is the best the best?" But rather to answer the question "How to become the best?"

The main objective is to become the new industry benchmark - om. The managerial method involves analysis of the current application and find a solution to the problem in practice. Based on answers to two questions:

1. What we want to benchmark? - which meant that something does not function as it should, that there has been any crisis, that we threaten the risks.
2. Who to choose as a benchmark partner? - choose the best in the area.

The advantages of benchmarking can be seen in particular:

1. after successful completion of the company will focus on activities, instead of dealing with transfers within the existing organizational structure,
2. deeper concerns of cost, make better use of modern technology,
3. improving quality and productivity, focusing on deepening relationships with customers and suppliers.

The benchmarking can be considered:

- copying the competition (a form of industrial espionage),
- analysis, or statistical comparisons with competitors,
- process reengineering.

The benchmarking process for high-performance enterprise described in the following scheme:

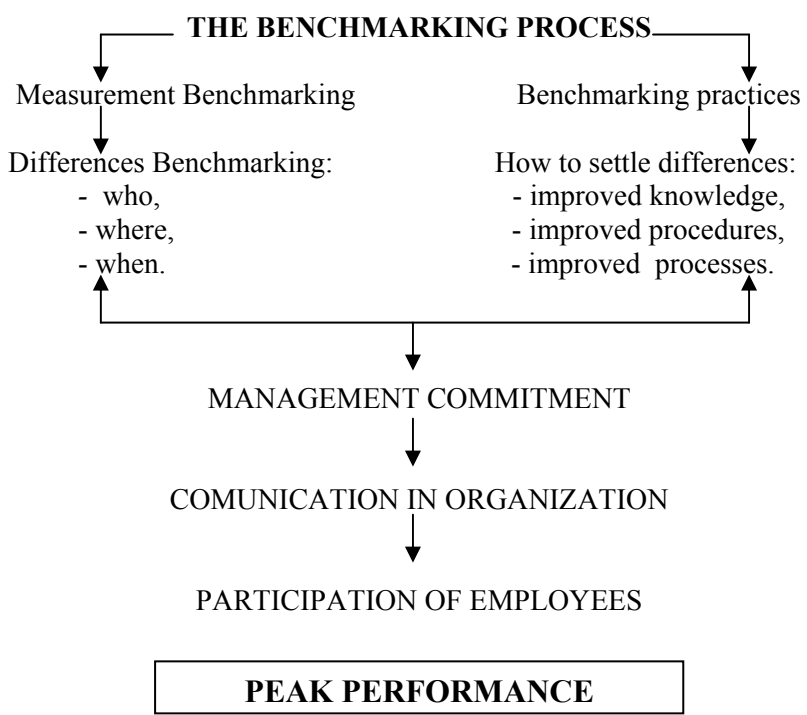


Fig. 2 Benchmarking scheme by Camp

Slovak benchmarking center (2008) defines benchmarking as a continuous and systematic comparisons of products, services, practices and characteristics of the organizational units to ensure the international competitiveness of enterprises.

The most important form of benchmarking includes internal and external benchmarking. According Spendoliniho (2005) is focused on internal benchmarking for business or group, and external benchmarking focuses on competition in the industry or sector-independent benchmarking. Managerial literature includes the external and internal as functional benchmarking, which focuses on products, services and employment practices, and its main objective is to find the ideal behavior and apply it where possible.

3. Management of knowledges

According to P. Drucker 'skills are not just another resource alongside the traditional factors of production such as labor, capital and land, but the only major source of today.' (Walker, AJ, 2003)

The general trend both in Europe as well as in the U.S. and East Asia is increasingly shift to managing human resources, a people as a key factor in the success of any work. Institutions based on the so-called knowledge. learning society (knowledge based Society) is prefigures future, in the production as non-production sphere. What is the management of knowledges? "Management of knowledges is defined as the acquisition, storage, and sharing knowledge in a way that one can better carry out their work, and every business process that creates added value" (Walker, AJ, 2003)

In the case management of knowlwdges, the entire organization learns about teamwork is creativity, experimenting with innovation, new ideas and solutions. There's an effort to learn as much about themselves, increasing the effectiveness of communication, emphasizing the positive and creative thinking, learning from successes and learning from mistakes.

In order to continually learning teams should proactively manage:

- system thinking and team learning,
- personal mastery,
- creating a vision of the future (building shared visions).

Corporate Towers Watson - Experience with the implementation of knowledge management

Towers Watson Company is a leading global company that helps organizations improve performance through effective work with people and financial management. It employs 14,000 workers worldwide, and offers solutions for employee benefits, talent management, the remuneration, risk management and capital. In establishing a knowledge management firm Towers Watson team set several priorities that the closer (although the details to any other organization that chooses the implementation of knowledge management, will vary):

1. establish the right team in the management of knowledges – team knowledge of managing, consisted staff from various departments and disciplines, who brought with them expertise in communications,

technology, Web design, project management and various sectors of their operations.

2. involve the whole neighborhood - to review the content, quality and development company to help individual teams and their members in the region. The structure of both content based on practical experience relevant components. Create high-quality technical system alone would be a positive return on investment certainly did not.
3. to set corporate priorities - focusing on the knowledge and tools that workers need for their work.
4. to assess and to adapt – were to set criteria for the evaluation team, which could eventually be monitored by quantitative and qualitative analysis.
5. to demonstrate the soundness of the concept - to increase the success rate- based on the results achieved in the pilot project started all units not engaged in cooperation with a core team.

(www.towerswatson.com)

4. Outsourcing

The main reasons why the firm uses at manage outsourcing, according to

A. J. Walker (2003) differ, the most common:

- improving the quality,
- the focus on core business,
- at cost control,
- the availability of technology and increasing the range of activities as well as their availability.

In today's modern times, applied to the management, more outsourcing model (Pállfy, 2008):

1. the first example is a basic business process outsourcing (BPO basic) in terms of roles where we know the two levels of BPO (business process outsourcing). The basic BPO outsourcing company provides hardware and services but also basic transactional processes.
2. another model is expanded business process outsourcing (BPO enhanced), where the outsourcing company provides direct communication from employees, for example support call centers (call centers). This model is popular among medium and large organizations whose personnel programs are usually even more important. Favorite is for organizations whose employees work in different parts of the world and have a direct contact with specialist

staff. In this model, organizations retain personnel specialist for the planning, development and management of personnel programs.

3. model supplier of application software ASP (application service provider) is the fastest growing outsourcing business model. Today ranks them among the suppliers of personnel management systems (Oracle, Lawson, PepleSoft). They are especially beneficial for small and medium enterprises to take care of themselves working procedures, and communications from customers.
4. within the complex operations personnel outsourcing the entire HR department moves to outsourcing firms, and may employ personnel and former personnel department and the company provides all professional personnel actions.

Summary

Almost the most important role to play in corporate governance information and information technology, and of course, that this trend can not be avoided or human resources management. Quite the contrary. Managers must overcome a certain reluctance to develop their theoretical knowledge, which requires managers to provide sufficient range of theoretical bases and the orientation of new trends and concepts. It is very important to link theory and practice, which is at least in Slovakia. Knowledge, skills, originality and creativity, and human capital are the main factor productivity growth and competitiveness of firms and economies. Therefore, managers must recognize the importance of the risks posed by present and did not hesitate to invest in human capital.

Bibliography

1. *Breakdown of benchmarking*. Slovak Benchmarking Information Centre. [online]. 2010 [cited 9. May 2010]. Available on the Internet: <http://www.sbic.sk/>
2. *Benchmarking definitions*. Slovak Benchmarking Information Centre. [online]. 2010 [cited 9. May 2010]. Available on the Internet: <http://www.sbic.sk/>
3. KACHAŇÁKOVÁ, A. 2003. *Human Resources Management: Human Factors and successful business*. Bratislava: SPRINT. 2003. ISBN 80-89085-22-9.
4. KUZMIŠINOVÁ, V. 2002. *Selected topics of management* Prešov: FHPV. 2002. 107 s. 148 s. ISBN 80-8068-159-7.
5. PÁLFFY, A. 2008. *Outsourcing, management and globalization*. Bratislava: CS Profi – Public, 2008. s. 96. ISBN 978-80-970036-0-9.
6. SPENDOLINI, M. *Benchmarking*. Editorial Norma. 2005. 311 s. ISBN 958048564X.

7. *The modern management methods– are nesessery for us.* [online]. [cited 9. May 2010]. Available on the Internet : <http://www.standard-team.com/cikkek/Moderne-manazerske-metody.php>
8. VEBER, J. a kol. 2004. *Management, foundations, prosperity, globalization.* Praha: Management Press. 2004. ISBN 807261-029-5.
9. WALKER A. J. a kol. 2003. *Modern personal management - newest trends and Technologies* Praha: Grada Publishing. 2003. 112 - 113 s. 221 s. ISBN 80-247-0449-8.

Contact

Mgr. Ľuba Kazimírová
Katedra marketingu a medzinárodného obchodu
Fakulta manažmentu
Prešovská univerzita, Konštantínova 16, 080 01 Prešov
E-mail: kazimirova@atlas.sk

The Design Management of Protected Recreational Places

Kurtis Lee Kight

Midatlantic University, NC, USA

Patrik Škultéty – Roberta Štěpánková

Slovak University of Agriculture in Nitra, Slovakia

Abstract

The Nags Head Woods Preserve presents an example of local non-government organizations, two city governments and an international non-profit sector. This wide collaboration was established to develop strategy how to protect and develop natural environment including all elements and respecting the natural order and reality. Location is on the Western side of the Barrier Islands also known as the Northern Outer Banks, North Carolina. The main aim was to project a plan, secured resources, developed legislation, protected a unique natural resource, and provided an eco friendly activity for tourists and locals. The Nags Head Woods Ecological Preserve represents and protects an important part of the ever decreasing coastal maritime forests located in the Eastern part of the United States of America. The current function of the land includes activities that allow the land to be enjoyed and protected at the same time. Hiking and bird watching are two of the most popular uses of the area.

Key words

Desing management, recreational places

Introduction

The United States of America (USA) is the world's third largest country (after Russia, and Canada). It includes a total area of 9,826,675 sq. Km., including 9,161,966 sq km of land and 664,709 sq km of water, making it more than twice the size of the European Union. (The Central Intelligence Agency (CIA) , 2010) It also has an abundance of natural resources, contributing over 9.2 Billion dollars to the Gross domestic output in 1999. (Analysis, 2000) The USA also has many important nature areas that are protected. The protection of these resources and the using of these resources, has often lead to conflict. The history of the USA has often been a struggle to

control these resources. This struggle started with the early settlement by Europeans, and the increasing demands that they placed on their environment and the natural resources that they viewed as limitless.

Brief History

The very early settlers, the native Indians had developed a simple hunter and gather lifestyle. Along with the limited numbers of Indians and because of their close tie to God and nature, their impact on the environment was limited. This changed gradually at first, with the introduction of the first colonies from Europe. However, as more and more new people came to America, the demands on the environment and the use and abuse of its natural resources increased. The simple Indian lifestyle that had once protected the natural environment was replaced by a lifestyle based on exporting and consuming as much as possible. Woods were cut down to build buildings and ships in America, and even more wood was shipped to Europe. Wood was of such low value that forests were often burned to the ground to develop rich farm land. The supply of wood seemed to be inexhaustible. Along with the destruction of the forests came the destruction of its wild life. The best example is the slaughter of the buffalos. These majestic animals roamed over most of the country. Because they had few natural enemies they were seldom afraid of hunters. They were quickly hunted to extinction in the Eastern part of the United States of America. Later as settlers move West they were slaughtered on the open plains, for their hides while their meat was left to rot. This destroyed the balance of nature on the plains and led to the starvation of the Indians that had coexisted with the buffaloes for thousands of years.

How does the government protect nature

The government, nonprofits, corporations and even individuals are involved in the protection, care and use of the natural resources in the United States. The United States protects its forest and nature with a multitude of laws and regulations. These laws and regulations exist at many levels. Sometimes there are conflicts between groups attempting to use or bypass certain laws and regulations. The laws, regulations and enforcement fluctuate depending on the views of the politicians and political party that is in power.

Government protection includes at least three levels of protection. The highest level of protection is the federal level. These laws and regulations are difficult to bypass legally. The next level of protection is normally the state level. States and the control they exert, can be compared to individual countries in the European Union. Some states are more active in protecting

their forest and nature, while other states lack either the laws and regulations or the money to oversee and enforce the rules.

Local governments can be the most effective at protecting forests and natural areas. They are the closest to the resource, and have access to those that have an interest in the natural resource. They often help to bring federal and state resources along with the interest of businesses and others together. They often understand the unique problems related to a specific natural resource. Ownership of the natural resource is the main method for protection. The federal, state, and local government, along with non-profits are constantly purchasing land so that they can determine how they want it managed.

The protection of the landscape

The Nature Conservancy targets important forested landscapes and regions with the goal of maintaining biodiversity through direct conservation measures:

- **Land Protection:** Through programs such as Parks in Peril, conservation transactions such as that with International Paper and supportive public policies such as the Tropical Forest Conservation Act, we collaborate with governments and private partners to expand protection of both public and privately owned forest lands. Preserving forests also has a significant impact on carbon dioxide levels in the atmosphere, helping to slow the pace of climate change around the world.
- **Private Preserves:** We own and manage the largest private system of nature preserves in the world, and our conservation work extends to millions of acres of other lands and waters. Through these preserves we help species and habitats vulnerable to climate change adapt to warming temperatures.
- **Conservation Easements:** We work with partners and landowners to develop and finance conservation easements — voluntary land protection agreements — to protect privately owned forests.
- **Abating Critical Threats:** We work with partners to halt global threats that damage and destroy working forests as well as protected forest reserves.
 - forests insects and disease
 - climate change
 - altered fire regimes

Restore

In forests that have been degraded, such as the Atlantic Forest in Brazil, we work with public and private landowners to restore forest ecosystems through fire management practices, silvicultural techniques and other restoration approaches that mimic natural disturbances and restore ecosystem integrity.

Manage

In forests where forestry and timber harvesting is compatible with conservation of biodiversity, we work with landowners and other partners to foster responsible forest management practices.

- **Management Agreements:** We develop and implement environmentally sound forest management approaches through agreements with public and private landowners.
- **Forest Certification:** We support the use and development of forest certification as a market-based tool to ensure and recognize sound management practices. (The Nature Conservancy, 2010)

The current problems/conflicts regarding to the forest

There is a constant struggle between those that want to use the forests and those that seek to protect them resources. The following information from a news paper in Los Angeles demonstrate how politicians and citizens worked together for a solution. "California Gov. Arnold Schwarzenegger said Monday a final \$900,000 donation by Playboy founder Hugh Hefner completed the \$12.5 million fundraising drive to protect the 138 acres behind the famous sign. The governor praised the public and private partnership in raising the money to keep the property out of hands of developers. The Trust for Public Land conservation group raised \$6.7 million in private funds, the state raised \$3.1 million and local funds provided \$2.7 million." The fight for natural resources and access to protected areas start on the Outer Banks of North Carolina and stretch across America to the Red wood forest on the West coast.

Special Issues

Key issues that State and federal programs are addressing cooperatively include:

- Urban area expansion and related impacts on forest land acreage and forest health
- Water quality protection through greater use of best management practices
- Sustaining forest resources through wise private landowner stewardship

What types of recreation and what kind of tourism is popular?

Travelling and Sightseeing are very popular in the United States. Because of the low price of gas an abundance of vehicles, and an extensive road system, travel is a form of recreation that everyone can afford. Of course, some trips are much more economical than others. While the United States is large, travel is easy because of the infrastructure that exists, it has been built from the income related to travel and sightseeing. From the Sunday afternoon drive, to weekend vacations, to those that take the summers off to travel, travelling and sightseeing are an important part of our culture and economy. Hiking and camping are two low cost and popular forms of outdoor recreation. The large number of State and federal parks that are open to the public makes it possible for almost anyone to enjoy nature at the level that they can afford. While many State and federal parks charge a small fee, almost all also have times of the year when they are free. The entrance fee-free week of April 17-25, is in addition to fee free days on **June 5-6, August 14-15, September 25** (Public Lands Day), and **November 11** (Veterans Day). (U.S. National Park Service, 2010). Many other types of recreation are popular including: biking, boating, swimming, climbing, fishing, horseback riding, hunting, wildlife viewing, winter sports, water sports, and visiting historic and cultural sites. In recent years, more extreme forms of recreation have also become popular.

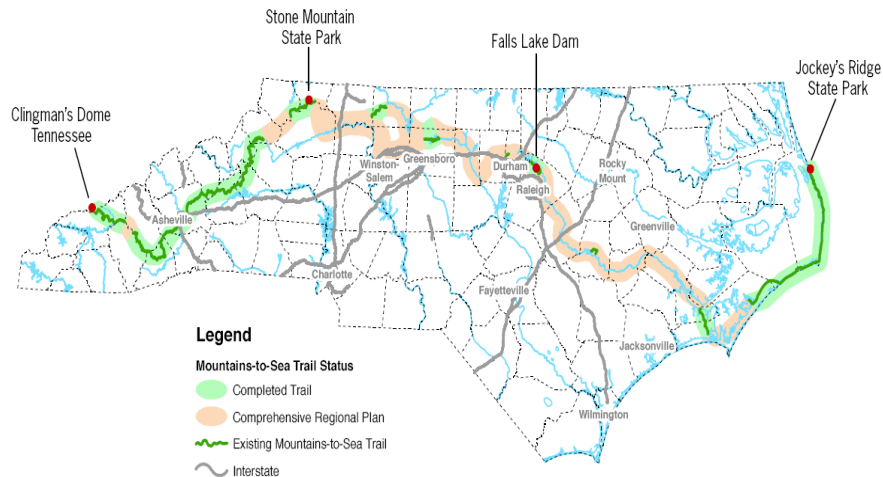
Some examples of recreational used forest

Several Federal organizations along with 50 state organizations and hundreds of non-profits and thousands of cities and counties have set aside forest lands for recreation. The state of North Carolina will be used as an example. North Carolina is the home to 4 federal Forests, Croatan National Forest, Nantahala National Forest, Pisgah National Forest, and the Uwharrie National Forest. Each of the National Forest along with the other protected wooded sites in North Carolina provide the following activities: biking, boating, swimming, climbing, fishing, horseback riding, hunting, wildlife viewing, winter sports, water sports.

Visiting historic and cultural sites, many which are located in protected forests, can provide some unique activities. For example at the at the Reed Gold mine children and adults can pan for gold after hiking the historic trails of one of the most popular gold mines on the East Coast. It was home to one of the largest gold nuggets ever found. In the western part of the state one can search for rocks, gems, and gold in the National Forests. At the Roanoke Island Historic Park, one can step back in time. A reproduction of the early settlement allows one to experience history. Methods for clearing the land are explained along with demonstrations on how trees were used to make shingles, lumber, and toys, 400 years ago.

Fig. 1

North Carolina's Mountains-to-Sea Trail Plan



Western Region

Clingman's Dome to
Stone Mountain State Park

Total Distance:	332 miles
Miles Open to the Public:	284 miles
Included in Comprehensive Regional Plan	48 miles

Central Region

Stone Mountain State Park to
the Falls Lake Dam in Wake County

Total Distance:	255 miles
Miles Open to the Public:	45 miles
Included in Comprehensive Regional Plan:	210 miles

Eastern Region

Falls Lake Dam to
Jockey's Ridge State Park

Total Distance:	313 miles
Miles Open to the Public:	81 miles
Comprehensive Regional Plan:	232 miles

Source: <http://www.nature.org/initiatives/forests/>

For those that really like to hike the forests an important part of the Appalachian Trail is located in the western mountains. Many college students spend a summer hiking this 2175 mile (km) trail. Often referred to as the Appalachian National Scenic Trail, it was started in 1921 and completed by 1937. It was built though the efforts of mostly private individuals that loved nature and hiking. It starts in the North Eastern part of U.S. with the state of Maine and continues South, ending in the state of Georgia. An important section of the Appalachian Trail transverses North Carolina, traveling though 2 Federal parks and several state parks. It was on a nearby trail in Western North Carolina that several hikers saw more than nature and wild life. While hiking in April of 2010 they meet President Obama and his wife. The President and his wife were also enjoying a short hike in the woods after spending a weekend together in a secluded place. (Mitchell, 2010)

The Nags Head Woods Preserve

The Nags Head Woods Preserve was Formed in 1951, the mission of The Nature Conservancy is to preserve the plants, animals and natural communities that represent the diversity of life on Earth by protecting the lands and waters they need to survive. Through a results-oriented, science-based approach, the Conservancy has protected more than 118 million acres of land and over 5,000 miles of river around the world, working in all 50 states and more than 30 countries. On the Outer Banks, NC, the Conservancy has worked with the local community since 1977 to protect Nags Head Woods. In partnership with the towns of Nags Head and Kill Devil Hills, the Conservancy has now protected more than 1,400 acres of the forest and operates the Preserve for the public to enjoy. The Nature Conservancy protects lands through acquisition by gift or purchase, and also by using conservation easements, leases and voluntary management agreements with landowners. The Conservancy has helped protect nearly 700,000 acres of biologically significant land in North Carolina, and owns and manages 64 preserves encompassing nearly 100,000 acres. The North Carolina Chapter receives financial support from membership dues, foundations, grants and charitable contributions from individuals and corporations. The Chapter currently has more than 25,000 members across the state and more than 1 million members and supporters around the world.

Nags Head Woods is one of North Carolina's most significant natural areas and one of the Outer Banks' most important community resources. Shielded from the ocean winds by a ridge of ancient sand dunes, this 1,400-acre maritime forest features a diversity of plant and animal life that is unusual to find on a barrier island. Maritime is a word that means of or pertaining to the sea.

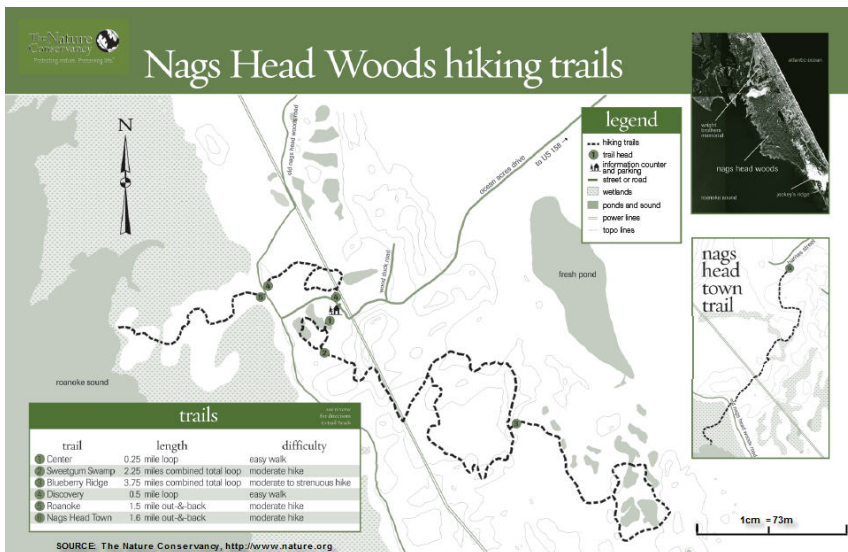
Maritime forests grow near the ocean and are influenced by its conditions. On the Outer Banks, this means powerful salt-laden winds much of the year, a shortage of fresh water and sandy, nutrient-poor soils. Living in these harsh conditions may require that plants and animals make special adaptations. Although it is situated close to the Atlantic Ocean's pounding surf, Nags Head Woods reminds many people of a mountain forest because of its extremely varied topography and rich biological diversity. Along the trails at Nags Head Woods Preserve, changes in elevation create subtle changes in the type of species found there.

Natural communities

groupings of plants and animals that depend on each other for vital life processes – at the Preserve include:

- **Maritime Deciduous Forest** – found on the higher and generally drier dune slopes and ridges; dominant plants include oak, hickory, beech, holly and loblolly pine.
- **Maritime Swamp Forest** – found in lower and generally wetter valleys (or swales) between the dunes; tree species include sweet gum, black gum, red bay and black willow.
- **Maritime Shrub Forest** – also found in low, wet swales; these areas are dominated by wild shrubs and grasses.
- **Interdunal Ponds** – found in especially low swales; the water is so deep that plants cannot survive. More than five miles of hiking trails lead through the most interesting areas of the forest.
- **The Sweetgum Swamp Trail** wanders up and over a number of high sand ridges.
- **The Blueberry Ridge Trail** runs alongside a rich maritime shrub swamp.
- **The Roanoke Trail** goes to the marshes and estuarine waters along the western edge of the ecosystem.
- **The Center Trail** winds over scenic bridges and ponds, offering views of the forest's diversity.
- **The Discovery Trail** is a short walk perfect for small children, with a dock overlooking a pond.

Fig. 2: Nags Head Woods hiking trails



Source: The Nature Conservancy, <http://www.nature.org>

Birds

More than 50 species of bird breed in the forest at Nags Head Woods Preserve. These include the bright yellow prothonotary warbler (or swamp canary), which nests around the ponds and swamps, and the blue and red parula warbler, which builds its nest in tufts of Spanish moss. These and many other birds spend their winters in South America, returning to Nags Head Woods in May to raise their young.

Reptiles and Amphibians

Nags Head Woods Preserve provides excellent habitat for a diverse population of snakes, lizards, turtles, salamanders, frogs and toads. Some of these animals are highly secretive and some only come out at night. Careful exploration of the edges of the ponds and swamps may reveal red-bellied water snakes, cricket frogs, leopard frogs or pond slider turtles. The only venomous snakes in Nags Head Woods are the water moccasin (cottonmouth) and timber rattlesnake. Like most snakes, these would rather avoid people than confront them.

Plants

More than 300 species of plants have been identified in the forest, including several that are considered rare in North Carolina. One example is the rare wooly beach heather (*Hudsonia tomentosa*), which grows in open, sandy areas along the Sweetgum Swamp Trail. In April and May, the rare water violet (*Hottonia inflata*) blooms on the ponds along the Discovery Trail. A tiny orchid called the southern tway-blade (*Listera australis*) grows along the Roanoke Trail and blooms in the early summer. Mosquito fern (*Azolla caroliniana*) also grows in the ponds; its foliage turns brick red in late summer.

Summary

The Nags Head Woods Preserve and the facilities are in good condition. Good planning and the use of volunteer labor allow the Preserve to continually improve. The following are additional improvements that can be made:

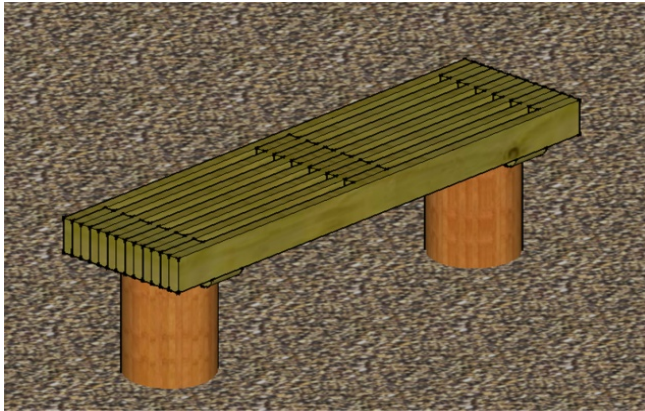
1. Add resting benches, near the sound. The existing benches are nearing the end of their useful life. Those near the water are aging the quickest. replacing them with the slated bench would provide visitors with a nice place to take a break. It is often useful to have a flat area to sit on or to place a lunch, camera, or bag. The open slated design allows the water to pass thought.

Fig. 3: Present wooden banches



Source: own research

Fig. 4: AutoCad projected future banch



Source: own research

2. Add sign for visitors area, to help first visitors to the park. It is possible to ride by the visitors center and not realize that there is a visitor center. Adding the wording "Visitor Center" will help people to find the hiking maps, bathrooms, and picnic area.

Fig. 5: Present sign for visitors



Source: own research

3. Provide internet "WIFI" at visitor center. Also, provide the web address in an easy to find location at the visitor center. This will reduce the amount of copies that visitors will need. While most visitors may not bring a lap top computer. Most will have a smart phone or PDA that can access the web site.
4. Add solar, wind and other renewable sources of power to reduce the enegy foot print, and to educate visitors.
5. Improve the marketing of this eco tourist location, focusing in on state and national advertizing. Also, marketing to nitch markets like bird watchers, and family vacations for nature lovers.

The above listed improvements, will make the Nags Head Woods Preserve more appealing to those that visit.

Bibliography

1. BELLIS, V., Ecology of Maritime Forests of the Southern Atlantic coast: A Community Profile. Biological Report 30, May 1995. National Biological Service, U.S. Department of the Interior.
2. BOURNE, J. K. (2009, October). Red Woods, The Super Trees. *National Geographic* , pp. 28-59.
3. BROWER, K. (1997). *American Legacy: Our National Forests*. Willard , Ohio, USA: R.R. Donnelley & Sons
4. BROWN, M. J. 2004. Forest statistics for North Carolina, 2002. Resource Bull. SRS-88. Asheville, NC: U.S. Department of Agriculture, Forest Service, Southern Research Station. 78 p..
5. COUTSOUKIS, P. (1999, March 1). *United States Geography* . Retrieved April 20, 2010, from geography.org
http://www.photius.com/wfb1999/united_states_geography.html
6. GROSS, M., ZIMMERMAN, R., BUCHOLZ, J., *Signs, Trails, and Wayside Exhibits*. 3 edition. UW-SP Foundation Press, Inc. Stevens Point, WI. 2006.
7. MITCHELL, J. (2010, April 24). *Hiking and Mountain Biking in Western North Carolina* . Retrieved April 25, 2010, from WNCOutdoors.info Blog: <http://blog.wncoutdoors.info/2010/04/hiking-with-the-obamas/>
8. Nags Head Woods Preserve, *History of Nags Head Woods*, Nags Head, North Carolina. 2000.
9. Nags Head Woods Preserve, *Nags Head Woods Preserve*, Nags Head, North Carolina.
http://www.nature.org/wherewework/northamerica/states/northcarolina/files/tnc_nhw_trifold_brochure08_final.pdf.
10. 2010. Research Laboratories of Archaeology, University of North Carolina. *The Village Farmers*. Iroquoian <http://www.learnnc.org/lp/editions/nchist-twoworlds/2642>. 2001-2010. North Carolina Cooperative, Extension. AG-636-02. Barnes, Thomas. 1999.
11. CAFFERTY, S. *FireFly Encyclopedia of Trees*. The Brown refence group plc. London, England. 2005
12. Data was taken directly from the 2002 *Forest Statistics of North Carolina* and earlier Forest Inventory and Analysis reports, unless otherwise indicated. For more information, please contact, Environmental Defense, 2500 Blue Ridge Road, Suite 330, Raleigh, NC 27607, wmcadow@environmentaldefense.org. Copyright 2004, Environmental Defense. The brochure is available online at www.environmentaldefense.org/go/NCforeststats.
13. PILKEY, O. a. (1998). *The North Carolina Shore and its Barrier Islands*. Durham, N.C., USA: Duke University Press.
14. SCHOONMAKER, P. K. (1990). *THE LIVING FOREST*. Hillside, N.J., USA: Enslow Publishers, Inc.
15. Analysis, U. B. (2000, December). 1145. *Gross Domestic Product of Agriculture, Forestry, Fishing, Mining, and Timber-Related Industries in Current and Real*

- (1996) *Dollars, by Industry*. Retrieved April 20, 2010, from Allcountries.org: <http://www.bea.doc.gov/bea/dn2.htm>
16. Appalachian Trail Conservancy. (2009). *About the Trail*. Retrieved April 29, 2010, from Appalachian Trail Conservancy: http://www.appalachiantrail.org/site/c.mqLTIYOWGIF/b.4805401/k.8865/About_the_Trail.htm
 17. Bureau of Land Management. (2009, 12 18). *Bureau of Land Management*. Retrieved April 27, 2010, from US. DEPARTMENT OF THE INTERIOR BUREAU OF LAND MANAGEMENT: http://www.blm.gov/wo/st/en/info/About_BLM.html
 18. National Park Service. (2010, April 22). *National Park Service about us*. Retrieved April 27, 2010, from National Park Service: <http://www.nps.gov/aboutus>
 19. The Central Intelligence Agency (CIA) . (2010, April 7). *The Central Intelligence Agency (CIA)* . Retrieved April 20, 2010, from CIA World Factbook: <https://www.cia.gov/library/publications/the-world-factbook/geos/us.html>
 20. The Nature Conservancy. (2010). <http://www.nature.org/initiatives/forests/>. Retrieved April 20, 2010, from <http://www.nature.org>: <http://www.nature.org/initiatives/forests/>
 21. U.S. Department of Agriculture. (2010).
 22. U.S. Fish and Wildlife Service. (2010, April 26). *U.S. Fish and Wildlife Service*. Retrieved April 27, 2010, from U.S. Department of the Interior : <http://www.fws.gov/>
 23. U.S. National Park Service. (2010). <http://www.nps.gov/yell/planyourvisit/feefree.htm>. Retrieved April 26, 2010, from U.S. National Park Service: <http://www.nps.gov/yell/planyourvisit/feefree.htm>
 24. United States Department of the Interior. (2010, April 7). *Forest Resources of the United States*. Retrieved April 20, 2010, from nationalatlas.gov: http://nationalatlas.gov/articles/biology/a_forest.html
 25. Wikipedia contributors. (2010, January 8). *Croatan National Forest*. Retrieved April 28, 2010, from Wikipedia: http://en.wikipedia.org/w/index.php?title=Croatan_National_Forest&oldid=336583667
 26. <http://www.nature.org/initiatives/forests/>

Contacts

Kurtis Lee Kight, MBA.
Mid Atlantic Christian University
715 North Poindexter Street
Elizabeth City, NC 27909, USA
E-mail: kurtis.kight@macuniversity.edu

Ing. Patrik Škultéty, PhD.
Spišský Hrušov 319, Spišský Hrušov, 053 63
Slovakia
E-mail: skultety@pathox.sk

doc. Ing. arch. Roberta Štěpánková, PhD.
Slovak University of Agriculture in Nitra
Horticulture and Landscape Engineering Faculty
Tulipánová 7, 949 76 Nitra, Slovakia
E-mail: roberta.stepankova@uniag.sk

Higher Education, the Important Link in the Process of Creating Human Capital

Gabriela Krstevska

Makedonijaproekt AD Skopje, Macedonia

Abstract

We are often facing a situation in which we can hear influential persons in the administrative structure underlining the great importance that the employed people (as a factor of production and creators of values) have for the further survival and general development of both the organizations and the societies as a whole. This is probably the essential base on which the developed states have created the concept that should allow all the users who accept it to develop their educational system on an approximately similar level. This should enable these states to produce (qualify) equal quality in the potential human capital.

In brief, the labor force in itself is not human capital. This kind of capital is mainly composed of three elements: competence, relations, and values. The first component – competence (which, basically at the very beginning, represents a possibility for founding labor relations) is definitely gained through the educational system. For this reason, it is very important to pay sufficiently great attention to this dimension in the development of an individual for the sake of allowing his own development and, through him, the development of the entire organization and finally the entire society. In this conformity, it is necessary to change the role of the University as the essential chain in the development of this so important organization-social capital.

Key words

Higher education, Human capital, Universities

1. Changing the role of the University in the development of human capital according to Lisbon and Bologna

The European Lisbon agenda and the Bologna process have had a very big influence on the development of Higher Education in Europe in the past few decades. In this, the Lisbon agenda is more focused on achieving competence and job opportunities, while the Bologna process should enable a transnational transparency in the European Higher Education. Aside from these two formerly mentioned concepts, the development of the society, the general

globalization, and the changes in the social human expectations are imposing on today's universities new lines of movements in their educational changes.

Considering that the universities are preparing students for the labor market, as well as their personal career development, the responsibility for preparing these students for the realistic situation with which they will be faced in meeting (for them the new) labor market should fall on the universities and their way of implementing the studies. There are some promoters who argue that if the people are qualified with a larger aspect of various types of labor in various companies, such people will be equipped with knowledge and qualifications via which they will have an easier access to the companies and better deal with the situation in which they can possibly lose a specific job in a company. With the variety of knowledge that they may have they will be able to adapt easily to a new environment. The main problem in the present situation is that the universities do not consider the social problems (including unemployment, of course) as their concern. The attitude of the universities is such that as deliverers of knowledge they believe that their duty is just to educate the students. In this, they do not hold themselves responsible for the future development of the professional and private life of their students, which is confirmed in the following quotation: "We are delivering first class education, and if our graduates are unemployed, it is their problem (and mistake!)"¹

On the other hand, education, knowledge, and competence have become the primary determinants in the individual standards and quality of life. The states should accept this and take responsibility as social responsibility and give all its citizens opportunities for education and training during their lives whenever necessary, wherever necessary, and in every necessary form. The way the students have realized that there can be no better personal investment than investment in knowledge, the nations should also accept that the development of their human capital via education must become the highest social priority. This is the unique way to prosperity, security, and social welfare in the global economy of knowledge.

Considering that Universities operate, exist, and function under the monitoring of the state, both these factors (the state and the university) should shape a common strategy so that the present role of the university is changed in the sense that from a monitor of bad social conditions it should turn into an active actor and improve the opportunities, the competence, and the skill of

¹ NESOR Project: To There: *The Future (of) Universities and New Social Risks, navreme publications "research for practice" Volume 7d*, Vienna + Modena + Barcelona, 2009, p. 22.

the human capital by at least aspiring to finding and defining the kind of knowledge and competence needed in the future business world.

2. Higher education in the Republic of Macedonia

In 2003, Macedonia signed the Bologna Declaration at the Ministerial Conference held in Berlin, by which it became a part of the Bologna process. The act of the signing marked the beginning of the system of its implementation in the 2004/2005 academic year, but only for the first two cycles of the Bologna process. The realization of the undertaken obligations itself demanded great effort and labor in changing the way of operation first of all in the higher educational institutions, but also in the system of education as a whole.

The following activities were undertaken in connection with the implementation of the Bologna process:

- Educational reforms according to Bologna
- Reinforcement of the University's role via new forms of organization and management
- Exchange of experience and knowledge among the universities in the Republic of Macedonia
- Introduction of ECT system of points
- The process of opening 10 new social faculties began
- The strategy for opening dispersed studies in smaller towns in Macedonia was adopted for the sake of lowering the number of students outside the state and for making the higher education closer to rural environments
- The first two cycles of education according to the Bologna process were implemented
- In 2008, the Parliament of the Republic of Macedonia adopted the new Law on Higher Education
- In 2009, the old mentor way of getting Ph. D. was abolished for making room for the implementation of the third cycle of the Bologna process. Until today, this third cycle has not yet begun (work on the preparations of the Rule Book for the implementation of this type of studies is under way).

There is no dispute that the introduction of the new system of higher education in conformity with the Bologna process has increased the attraction to higher education in Macedonia. Unfortunately, however, the universities in

Macedonia are paying attention only to the cooperation with the scientific-educational institutions in the form of exchange of positive experiences, transfer of knowledge among these higher educational institutions, and similar. Unlike these projects and agreements, there is the lack of or there is no interest at all among these universities to establish cooperation with the industry or companies for which the universities are actually producing and educating all the staff. Such cooperation should provide the students, via their education, with skills that could improve the market participation of these companies.

The reforms in the higher education that are further anticipated will continue in conformity with the harmonized long-term national goals:

- Greater number of citizens with completed higher education
- Reforms in conformity with the Bologna process
- Equal access to higher education
- Strengthened forms of life-lasting education
- Assistance in the training for using IT applications in the universities
- Assistance in scientific and research activities
- Assistance in training teaching staff for improving the quality of the studies
- Assistance to projects connected with the implementation of the Bologna process

In making the briefest possible analysis in these mentioned goals we will just confirm the previous argument that the Higher Education System in the Republic of Macedonia does not at all plan to orient its activities towards reduction of social risk, i.e. the long-term strategy does not indicate the intention for starting a compatibility of this educational system with the labor market.

Summary

The importance of human capital for today's labor market has been underlined in all the analyses and studies made in relation to the "economy of knowledge". The industries and the traditional companies have also shown interest in supporting higher education due to their rising needs for qualified people and young people's part-time jobs with aspirations for turning into human company (industry) capital needed for their development. In the future, more attention should be paid to the role of the University in the creation of potential human capital by changing its present position. This means that the University must become an institution that will prepare its graduates for further working life after completing their studies, so that they may

immediately take active participation in the social and public development based on serious researches associated with the real practice.

In spite of the implementation of the Bologna process, the educational system in Macedonia is still not producing enough quality potential human capital because there is no practice of real work during the studies, although it has been proven that the most efficient and productive way of learning is learning through direct experience. In order to clarify the dilemma whether the introduction of the Bologna process in the higher education system in Macedonia will produce a more quality human capital than the previous educational system, it is necessary to wait for the minimum second generation from the second cycle of education on the labor market (which implies 4 generations of students from the first cycle) in order to determine more precisely their adaptation to the world of labor.

Bibliography

1. Baumgartl B., Fried J., Glass A.: From Here To There: Deliberating Mileposts in Higher Education 2, Volume 7a, navreme publications, 2007
2. BOLOGNA PROCESS - NATIONAL REPORTS: 2007-2009, National report Macedonia 2009
3. NESOR Project: To There: The Future (of) Universities and New Social Risks, navreme publications „research for practice“ Volume 7d, Vienna+Modena+Barcelona, 2009.
4. www.mon.gov.mk

Contact

Krstevska Gabriela
ul. Skupi 4 br.6 – Skopje
Macedonia
E-mail: gabriella@t-home.mk

Analysis of EHR (Electronic Health Records) Implementation in Health-Care Institutions

Jozef Nemec

University of Prešov in Prešov, Faculty of Management

Abstract

The information in the health-care service is impossible to quantify. The rate of information access, its comprehensiveness and correctness are very often the essential conditions for the lifesaving. In our conditions the paper record of health-care data still prevails but in the near future the electronic evidence will be progressively used. That's why this article is aimed at the analysis of the contributions and possible dangers emerging from the EHR system introduction in health-care institutions.

Key words

Electronic health record, health care, electronic health

Electronic Health Record

Electronic Health Record in translation also means the electronic medical history. 'Electronic Health Record presents in natural language and in electronic form the structured set of patient's health state records. The data necessary in the case of emergency which accessibility is very crucial for urgent medicine form its subset. These records are made by the means of safe network of health-care information available for people authorized only within the health-care services. The outputs of diagnostic apparatus in electronic form (CT, MR, PET, USG ...) which are saved and made available by PACS systems, are often the part of EHR to improve diagnostic methods. The ePrescription systems in connection with EHR can not only eliminate the cases of wrongly given medicine but ensure the efficiency of drug policy as well.[1] The Electronic Health Record is electronic informative document made of records about the state of health and matters regarding the patient's state of health. As to the structure, content and chronology it reminds the classical medical history in written form.[2]

Electronic Health and its implementation in particular countries of EU

Electronic health record is the part of, so called, 'eHealth'. The simplest translation of 'eHealth' from English original is 'electronic health'. There are

several definitions that help us imagine its meaning. It is the implementation and use of information and communication technologies in health-care services. Using these technologies, the quality of health-care services provided should be improved, then transparency of health-care services should be supported and there should be the significant simplification of obtaining information.[3] In other words, the aim of electronic health should provide relevant information in the right time and on the right place what would make the process of taking care of citizens more efficient.[4]

This system of electronic health is in different stages of implementation in more countries of the European Union. The countries which are implementing electronic health are, for example, Belgium, Spain and Denmark, the leader in such implementation. In the Czech republic, there is so called an electronic health-care book, which is voluntary and available only to the person and the health-care institutions where he undergoes the examinations. The introduction of an electronic health-care book in Slovakia will work in similar way. It means that at the beginning it would be voluntary as well, but compulsory for children born after 1 January 2013.

Evaluation of significant positives and negatives of electronic health record implementation in wider context of eHealth as the whole

Let us evaluate the implementation of electronic health record, the basic advantages and disadvantages following from its implementation not only for the health-care institutions as providers but for the patients as recipients as well.

Advantages

Regarding the advantages, the cutting expenses by the means of increasing the efficiency and making the processes in health-care institutions easier is definitely one of them,. And that is only beginning.

Implementing the single form of health records by the means of electronic health record could lead to improving the arrangement of records. It would make the work of health-care institutions easier and also the patient would get orientated easily in its own records what would remove the possible duplicity of those records. As the electronic health record should be easily understandable in more languages, the health care of our patients abroad and patients from abroad in Slovakia would get simpler by its implementation. This is the great contribution not only from the point of view of breaking the language barrier but of integrating the health-care concepts within the European Union.

From the ecological point of view, the electronic health record is more efficient as it saves the 'tons' of paper which are used nowadays to keep physical

documentation. Then by the implementation of its electronic form it would solve the problem of storing health-care documentation which must be stored for twenty years from the death at a general practitioner and twenty years from the last examination at a specialist.[5]

Furthermore, the significant advantage is that this electronic form is more efficient in prevention and diagnosis of illnesses in time. The possibility to follow the complex health-care documentation enables doctors to get comprehensive information about the patient that increases the chances of early diagnosis of illnesses. When we mention the early diagnoses of serious diseases abroad, the another significant benefit arises.

Disadvantages

As to disadvantages, the implementation itself, that means legislative and financial framework following from it, presents the most significant disadvantage.

The government of the Slovak republic accepted two documents in connection with the implementation of electronic health. In March 2008 it acknowledged the Report about the state of informatization in the health care department and in July 2008 approved of Strategic aims of electronic health. Despite those steps, according to experts we are 7 or 10 years behind the advanced countries in implementing such systems.[6]

Nowdays one of the biggest problems linked to putting the electronic medical history into practice is the citizens' scepticism about the system and its informatization. The patients are worried about the misuse of their personal details. To prevent the health care system from being misused, the code should be used. Even doctors would need this code to read the patients' data. The life-saving situation would be the one exception to the access of those data.

Moreover, there is the lack of informatization and internetization of clinics and health-care institutions, especially, those small ones. This also means the insufficient computer literacy of the health-care providers. That could be eliminated but it is not certain whether there is the motivation to get educated not only professionally but in the computer skills as well.

The biggest disadvantage is the financial demands of implementing the system of electronic health into practice. The investment of estimated 252 million EUR is necessary for so called 'preparation' phase by the year 2013. It would be financed from more financial sources, that means not only from the state budget but eurofunds as well. According to the Ministry of Health the payoff is the question of few years.[7]

Regarding the legislative framework the implementation of electronic health in Slovakia is tied to the amendment No. 576/2004 Coll.. Its amendment was approved on 2 April 2010 and partly will come into force on 1 January 2011 and from 1 July 2011 it should be put into practice. The entering the national project Operating programme, Informatization of Society which is managed and controlled by the Office of the Presidium of the Slovak republic would partly solve the financial needs necessary for technical implementation of electronic system established by the amendment. But the written call for proposals for non-repayable financial contributions was cancelled on 6 September 2010. There is presumption that it is only temporary suspension as one of the benefits of its implementation nowadays should be the possibility of cofinancing from the sources of the EU.

Progress in the implementation of electronic health in the year 2010

As the year 2013 which is the key year for the implementation of electronic health is approaching, the year 2010 has brought more 'steps ahead' in this area.

In the first half of 2010 there was a tender of the Ministry of Health worth 32, 4 million EUR (without VAT). The consortium of firms NESS Slovakia and LYNX won. Their task is to create National health portal, the link for all eHealth applications, also electronic medical history, electronically made appointments at doctors and electronic health book.[8]

On 27 May 2010 there was a conference organized by the Ministry of Health of the Slovak republic in cooperation with National center of health-care information. The aim of the conference was to inform professional public about the current state of the implementation of electronic health systems and its form.

At this conference the particular form of electronic health records was introduced using sample fictional family. The Secretary of State for Health Richard Raši clarified that the year 2013 is the year of putting the pilot modules into the practice. Moreover, using particular example it was shown how the electronic health can make the patient procedures and doctors orientation in health documents of the patients easier. They used so called 'case study' that was very interesting and descriptive method. A father while sawing wood at the cottage, hurts his arm but with the help of national portal finds the nearest emergency room. A doctor in the electronic health record finds out that the man has not been vaccinated against tetanus, examines the man, vaccinates him and sends him to see a specialist. The doctor does not write the referrals, he only writes his recommendations into electronic system where the patient

should be examined. He saves his and patient's time and eliminates the risk of losing the referrals by the patient. The patient has a possibility to choose the specialist according to doctor's recommendation and make an appointment immediately from his home. If a doctor confirms his appointment, a patient receives a text message on his mobile. This case study points at the fact that the system is simple and clear for both a doctor and a patient and proves that the main aim of electronization is fulfilled – patient much better understands the health system. The question is whether this 'pilot' idea will be transferred into practice in this perfectly operating form.

Summary

The implementation of any innovations as well as the implementation of electronic health record or the electronic health has its weak points, it is necessary to realise that the science and technology have made a huge progress so it would be wrong not to make use of what it offers. Especially when we deal with improving the quality of human life or even life saving. I, as a potential patient, see the biggest threat when using the electronic form of health records in the situation when the system fails. It is necessary to think about the emergency procedure and consider the alternative solutions what to do when the system fails and the patient has got all information in electronic form.

We can hope that the science and technology have already made such a progress that such failures would occur rarely or never. If we forget about some deficiencies that are necessary to eliminate before the final implementation, we will realise that the implementation of electronic health enables us faster and more efficiently to respond to patients needs. Moreover, it enables the health-care staff and doctors to have better knowledge of health-care documentation and time saving is crucial as well. The finances, that are necessary for the implementation, still remain one of the biggest disadvantages. But what money means in comparison with the human's health or even life.

Bibliography

1. Strategický materiál EHEALTH na Slovensku. Dostupné na: <http://www.rokovania.sk/Rokovanie.aspx> [on line] 22.6.2010
2. Národné centrum zdravotníckych informácií – ehealth. Dostupné na: http://www.nczisk.sk/buxus/docs/eHealth/studie/STUDIA_EHR.pdf [on line] 2.7.2010
3. Slovak eHealth National Strategy - PharmDr. Juraj Karovič MZ SR - Implementácia eHealth. Dostupné na: http://www.ui.sav.sk/egge/BratislavaDay/p/07-JKarovic-Slovak_eHealth_National_Strategy.pdf [on line] 20.6.2010

4. Národné centrum zdravotníckych informácií – ehealth: Dostupné na: <http://www.ezdravotnictvo.sk> [on line] 3.7.2010
5. Úrad pre dohľad nad zdravotnou starostlivosťou. Dostupné na: http://www.udzs.sk/buxus/generate_page.php?page_id=240 [on line] 26.6.2010
6. Národné centrum zdravotníckych informácií – ehealth: Dostupné na: <http://www.ezdravotnictvo.sk/?konferencie-sr> [on line] 3.7.2010
7. „Elektronické zdravotníctvo začína mať reálnu podobu“ – TASR (published 27.5.2010). Dostupné na: <http://www.zzz.sk/?clanok=8398> [on line] 21.6.2010
8. „Služby eHealth-u zabezpečí konzorcium firiem NESS Slovensko a LYNX“ – TASR (published 13. 4. 2010). Dostupné na: <http://www.zzz.sk/?clanok=8118> [on line] 21.6.2010

Contact

Ing. Jozef Nemec
Department of Economic Sciences and Economy
Faculty of Management
University of Prešov in Prešov
Ul. 17. novembra 1, Prešov
E-mail: rapanui@centrum.sk

Evaluation of Teaching Process Quality at Postgraduate Course

Andrzej Pacana

Rzeszow university of technology, Faculty of machinery and aviation

Lucia Bednárová

University of Prešov in Prešov, Faculty of Management

Abstract

The paper presents the results of an evaluation of teaching processes performed at postgraduate course: Security management and work hygiene using the servqual method. This course is run at the Management and Marketing Faculty of Rzeszow University of Technology. Results from the analysis conducted will serve as the discussion platform for improving the management of this course. They can also be an inspiration to further open discussions concerning the quality of education at Higher Education Institutions.

Key words

Security management, higher education

Introduction

The term quality can be variously defined. One of these definitions specifies the issue of fulfilling customer expectations. Following this definition the supplier of a product (or service) should, after becoming acquainted with customer expectations, try to fulfill those expectations in the best possible way. [3] The key to optimal quality is to know customers expectations and how customer needs are met. Knowing these expectations a prescribed limit of the pattern is established. Contrary to universal methods it is a proper limit for assumed case and it holds a significant advantage in this approach. It is especially important in the case of evaluation of service quality. [1, 2] The problem is such that services offer many immeasurable features, which means that the evaluation of their quality depends to a significant degree on customer opinion. It is difficult to measure quality of service, but usually people are aware when they receive a bad service.

One of the methods used to assess services quality is the servqual method (SQ). This method is a simple, multistep method which can help to better

meet expectations and perceive the quality of services. This tool can be used in a wide spectrum of services so called: tangibility, reliability, reaction, certainty, empathy. Organisations using SQ can state whether the service fulfills customer expectations asking questions concerning requirements placed towards the service and later ask the same questions after it has been received. Comparison of results will show in which areas service quality can be improved. The presented diagram of the SQ method illustrates that, depending on needs, the approach can be adapted to the character and specifications of an individual organization. [4]

In today's economy more emphasis is placed on assuring quality in teaching processes. It is followed by the appearance of accredited commissions, introducing resolution of the Bologna Declaration, implementation of quality management systems such as ISO 9001 or IWA2. Assessment of these activities is undertaken by the evaluation of the quality of teaching processes, to which the servqual method is applied.

Teaching process

The current paper uses the servqual method to assess the quality of teaching processes executed within postgraduate course: Security Management and work hygiene. This course is run by the Management and Marketing Faculty of Rzeszow University of Technology.

In the case of postgraduate course, the academic teacher deals directly with the customer, who pays for the educational service and has often got precise service requirements. Very often such requirements come from real situations in the work place, in which case students seek solutions to specific workplace/ professional problems. A student of postgraduate course is often a person who has participated in different forms of training and education and this impacts on their expectations and assessment of quality. Moreover the analyzed postgraduate course runs for two semesters, so it is relatively easy for students to assess the whole teaching process.

The research was run on a group of 55 students of the 8th edition who graduated on time. An expectation questionnaire was separated from a satisfaction questionnaire which was run between 5.12.2010 – 30.01.2010. While completion of the questionnaire was not obligatory the response rate was 90%.

As it is often being assumed that women have got higher service quality expectations and therefore they are more critical when assessing services in comparison to men [5] the analysis of respondents have been made, taking

into account the gender of respondents and the results are presented in drawing 1.

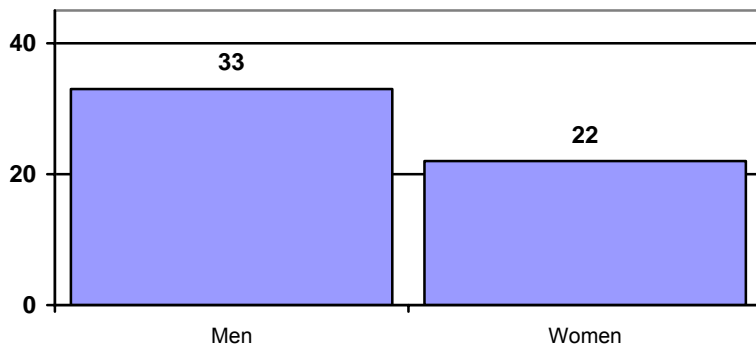


Fig. 1. Visualisation of gender structure at postgraduate studies

Due to the dominance of men in the sample, it can be assumed that, in certain minimum probability, the quality assessment may be overestimated.

Sometimes it is also assumed that younger people have got higher expectations in terms of quality service and their assessment is more critical in comparison to older persons. Therefore the analysis of student age was also run. The average age of respondents was around 32,5 years, men around 34 and women around 30 years. The average age points out that received results may be slightly lowered. When comparing with the results from the analysis of gender it can be assumed that these slight probable changes of SQ value cancel with each other.

Students of postgraduate course were given a typical list of questions for SQ analysis, which is available in the literature [4. 5]. Firstly they filled in the survey as to assess their expectations and later filled in as to assess the quality of the teaching process (satisfaction). During the research students were given formula of critical assessment of five services-quality dimensions:

- tangibility – look of rooms, equipment, personnel, sources of forwarding information,
- reliability – ability to offer services in detailed and reliable way,
- quickness of reaction – willingness to offer help customers and instant performance of a given service,
- certainty – competence and courtesy of employees and their ability to build trust

- empathy – showing caring, individual approach to customer, thinking in customer categories. Collected questionnaires were analysed in order to specify the quality of teaching processes run at the Faculty of Machinery and Aviation of Rzeszow University of Technology.

Evaluation of teaching service quality using servqual method

Results of tests using the servqual method are presented calculating so called weighted and unweighted results. The general unweighted result was received by executing the following stages:

for each customer SQ results were added received from statements relating to specific dimensions and later their sum was divided by the quantity of statements incorporated within each given dimension,

results of all customers received in phase 1 were summed and later divided by the number of customers taking part in the research,

results gained in stage 2 were averaged (summed and divided by the number of dimensions) and by this a general unweighted servqual result was obtained.

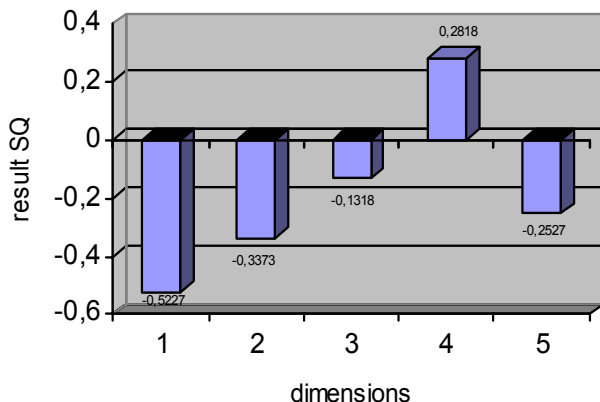
the way in which the general weighed SQ result is produced is similar to the calculations of the unweighted result, with the difference being that the latter considers the relative meaning of concrete dimensions.

To analyse the questionnaires results Microsoft Excel was used. Results are presented in table 1.

Table 1. Results of testing quality of didactic service dimesion

Factor determining level of quality	Result of testing service quality dimension	Result of complex testing service quality (SQ)	Result of complex testing quality service (SQ) considering importance of measures
	without measure	considering importance of	
Tangibility	-0,5227	-0,19255	-0,37496
Realibility	-0,3373		
Reacting	-0,1318		
Certainty	0,2818		
Empathy	-0,2527		

Graphic interpretation of the results of the calculations of teaching process quality at postgraduate course using servqual method are presented in drawing 4.



Legend: tangibility reliability reaction quickness certainty empathy

Drawing 4. Visulation of calculations of teaching process quality at postgraduate studies using servqual method without considering importance of dimensions

Summary

The servqual analysis was used to assess the quality of education within the postgraduate course “Security Management and work hygiene” course run by the Faculty of Management and Marketing of Rzeszow University of Technology. The results of the analysis showed that:

servqual method permits the identification of weaknesses and strengths in the teaching processes executed within postgraduate studies.

Student’s age (around 32,5) is a key element that influences the formulation of expectations. Students who are tested are not direct University graduates but people who work.

The assessment of the tangibility criteria produced relatively low results. It would appear to be worth pointing out that more attention to improvement in this field is needed by service providers.

The reliability and empathy criteria are assessed slightly better by students, but there is also potential for improvement.

Attention should be paid to the certainty criteria. It can be observed that students’ expectations have been met and even that satisfaction levels were above

expectations. While this demonstrates a success, it should not be neglected, with continuous improvement an objective in this aspect of service quality also.

Comparing the results of the weighted and unweighted analysis it can be observed that weights directed certain dimensions did not have a significant impact on the received values of teaching service quality.

To sum up, it should be confirmed, that the servqual method can be used to assess the quality of teching services where students have the ability and opportunity to specify their expectations. This hypothesis should be verified in future research.

Bibliography

1. Gazda A. Methods of risk analysis used in internal audit of Institutions of Higher Education. IN” Risk management – challenges of XXI century. Editor B. R. Kuc, Published by Higher School of Management and Law, Warsaw 2007.
2. Gierczak A., Sołek C. Future of on-line education. Example of Great Britain in: Dilemmas of quality education in higher institutions, Rajchel K., Lew G., Szydelko A. (editors), RS Druk, Rzeszow 2008.
3. Pacana A., Stadnicka D. Systems of quality management according to ISO 9001. Implementation, audit and improvement. Publishing House of Rzeszow University of Technology, Rzeszow 2009.
4. SERVQUAL – method of service quality. in: Kreier E., Łuczak J.: ISO 9000. Easy and efficient way of gaining certificate. Toms 1-3, FORUM, Poznań 2008.
5. Wolniak R., Kotorz E., Utilisation of SERVQUAL method to assess service quality of petrol stations, Quality Problems number 12/2004.

Contacts

Andrzej Pacana
Rzeszow university of technology
Faculty of machinery and aviation
Poland

Lucia Bednárová, doc., Ing., PhD.,
University of Prešov in Prešov
Faculty of Management
E-mail: bednaroval@unipo.sk

The Information System and CRM in Small and Medium Enterprises in Region

Juraj Rákoš – Sylvia Jenčová

University of Prešov in Prešov, Faculty of Management

Abstract

The effective business and survival of the SMEs is conditional on the acceptance of modern methods and techniques in the field of business management. CRM definitely belongs to the key factors of the business efficiency in the wild and competitive business environment. Only qualified employers and managers are able to perform their tasks and functions effectively because of their ability to work in the integrated systems. The SME's ability of survival depends on both its flexibility and ability to react on the external influences and new environment conditions. All these factors lay emphasis on the managers' abilities and knowledge. The current widely developing business world involving lots of industrial, innovative and organizational challenges is closely related to the existence and use of the information systems integrated with the role of a human factor.

Key words

Information system, CRM, region

Management and managerial work represent the unique type of a human activity which is related to the environment by the information sources. It has been proved that the management depends on the existence of relevant, current and necessary information. The managerial process is characterized by the transformation of information into an activity. The success of management depends on the available information sources and the way of their transformation. A concrete activity is always a direct consequence of the acquisitions resulting from the decisions. Effective management is based on the use of information in all phases of the decision making process. The importance of information for a manager is based on their need by both decision making and effective performance of managerial functions – planning, organizing, controlling, etc. Information is becoming the most principal assumption for effective managerial work. This information must be objective, relevant and coordinating. On the example of the small and business enterprise unit called Regada Ltd. we would like to show the possibilities of

implying and acceptance of the customer relationship management into the information system.

Information System

Information system is seen as a collection of the elements consisting of people, technical and program tools providing the collecting, transfer, storage, choice, transformation, distribution and presentation of the information needed for the decision making process so that managers are able to perform their managerial functions in all level of the managerial system. The main task of the system is to provide sufficient amount of relevant, correct and accurate information in the terms and form asked by the managers in the decision making process. The information system is a subsystem of the whole managerial system. It is the part of the system which provides integration among the basic managerial functions of the company.

REGADA Ltd. – Current Situation

The information system of the company employing about 240 people consists of various parts – employees, technical tools, application software and human agenda, which create an integrated and systematic unit. It means the whole information system consists of three main parts –people, hand agenda and automated part called „information system“ itself. This study is devoted to the last part mentioned above.

These information systems represent a technologically advanced tool in the hand of men. These systems may support correctly projected and implied company processes. As the information system in the Regada Ltd. was implied into the company's structure continuously and it has gone through a long period of development it is quite difficult to follow the whole line of its changes in order to analyze it appropriately. The expert theory used to believe that the information system of the company should create a monolithic unit referring to one and only producer. Such a system would try to provide all the company's needs and orders. The praxis showed that it was quite difficult to fulfill all expectations and emphasizes of the production processes laid upon the system. The system was unable to catch all the processes as the company was large and diversified. Naturally, a few single parts had revealed and created integrated systems referring to concrete and systematic process areas of the company. These system are easily defined as the primary or the secondary ones according to their function, as marked below:

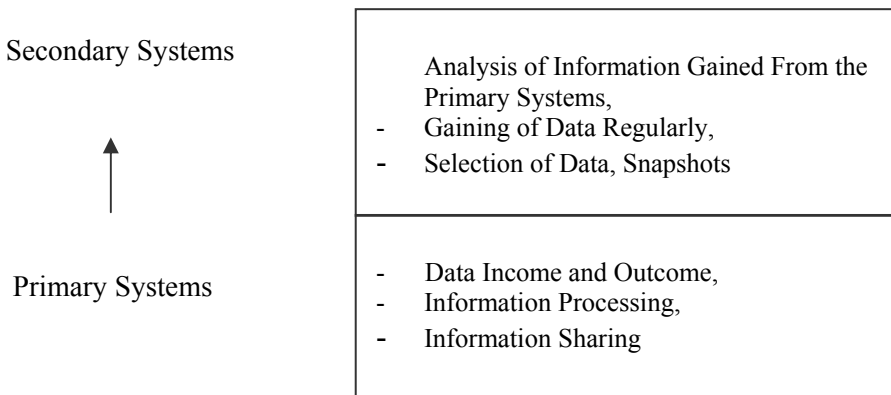


Fig. 1 Information Flow in the Information System of the Company

The primary systems coordinate the collection, processing and sharing of the data and information gained. The secondary systems analyze the data gained by the primary systems. These data are imported regularly in the defined terms of time. The system usually works at night, but it is not a necessity.

The information system of the Regada Ltd. consists of integrated primary and secondary systems. These systems were delivered from various software companies and each of them uses its own database as well as its own range of scale. The data from these single databases are shared and pumped into other parts of the system for its appropriate use. As the system is not perfect, the data sometimes are doubled or multiplied. Though, these parts create a unit which is integrated and would be more effective if the level of integration would become even higher.

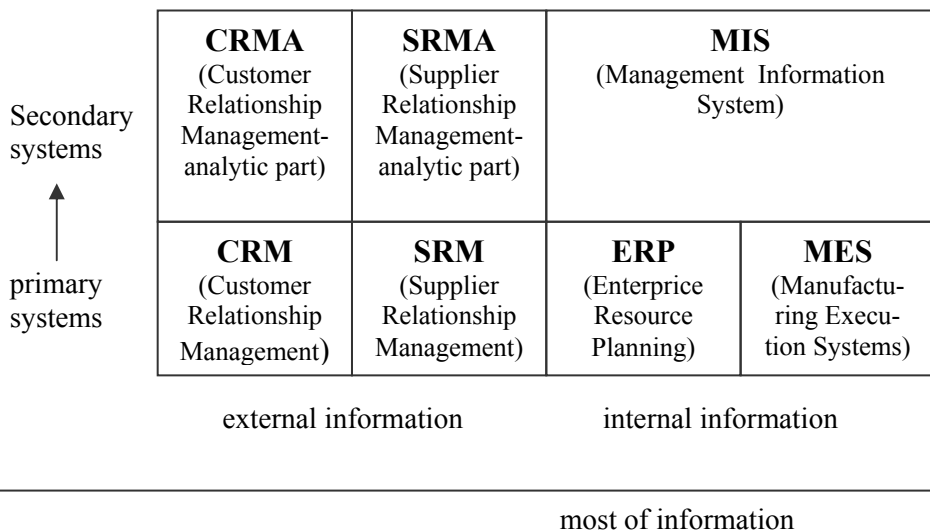


Fig. 2 Simplified Scheme of Regada Ltd. information system

Single parts of this information system represent integrated subsystems specialized in specific company processes. The aim of CRM systems is the customer relationship management, mapping of their orders and providing the company with the information about the customers' behaviour changes. CRMA represents the analytical superstructure of the system which evaluates and analyses the data gained by CRM. SRM is the system providing the management of the relationship with the contractors and gaining the basic information about them. This information is analyzed by the SRMA system.

ERP system involves a large scale of models concerning planning of the material needs in the production, organizing the production and providing the expedition. ERP does not have a detailed planning tool so the MES system has developed on its basis. This new system refers to the production in details. The internal company's data gained from the ERP and MES systems are analyzed by MIS. MIS integrates all important data sources from both the previous systems mentioned and the hand agenda. The information system of the company may be seen as drawn below – according to the use of the information selected for the managerial level:

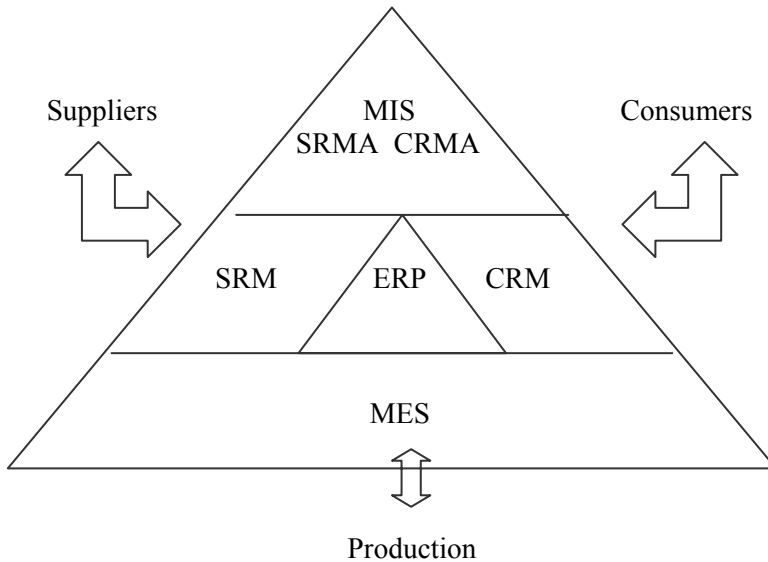


Fig. 3 Hierarchy of Information System in Regada Ltd.

CRM vs. Information System

The character of information used changes with the level of management. The operational management uses the production information gained by the primary systems (MES and ERP), the strategic management mostly uses structured data and analyses gained by the analytical systems (MIS, CRM and SRM).

CRM is the system for the customer relationship management which integrates the employees, company's processes and technology IS/ICT in order to maximize the loyalty of the customers and the profitability of the company as well. The aim of CRM is to create a long term advantageous relationship with the perspective groups of customers. It means CRM tries to create an interaction between the company and its customers. It also provides the company with the survey on customers, their previous relations to the company, the amount of goods bought, their solvency, etc. CRM focuses on both current customers and the gaining of the data referring to the new potential customers. The customer relationship management focuses on three main areas of interest:

1. operational – orientation to the efficiency of key processes in relation to the customer,
2. cooperational – optimizing of the relation and communication with the customers,
3. analytical – concerning the analysis of the gained data.

The customer relationship management provides the customer care, logical administration of the customers and their analysis, realization of the CRM strategy in order to acquire the new customers, possibility to propose marketing solutions, campaign management and sales promotion. The CRM system in Regada Ltd. works on the basis of intranet so that each single customer can record the information or questions related to the company's server. The greatest advantages of the system running under the web range are relatively free access to the information, universal and global reach and ability to provide information and services to each single user separately. The system is combined with the centralized collection of marketing data concerning the data about the customers and the competitors. All data are digitalized and analyzed by CRMA system which aim is to predict the behavior of both potential and existing customers on the basis of analyses performed in order to choose the right strategy to gain new customers.

Supplier Relationship Management

SRM is the managerial system coordinating the relationships between the company and its suppliers which indicates the company position and its future progress from the point of view of its buying policy. According to this knowledge the company can build the supplying-buying strategies which can help to reduce the costs, improve the relationships with the suppliers and achieve more advantageous business conditions. The system gains, processes, shares and analyses data from internal and external basic sources.

The internal sources provide the system with important data gained from the analyses of the internal company data. The most necessary are data concerning the information about the annual payments to the suppliers, the amounts bought, the frequency of supplement, the frequency of delayed supplement, the amount of goods returned, etc.

The external sources provide the company more other important information which may be used to improve the management of the relationship to the customers. For example, the company can easily work out the percentage added to the profit of the supplier by comparison of the annual revenues with the sum paid to the supplier. The company can get the

information about the suppliers growth or liabilities and consequently the company can find out the risk connected with the cooperation.

The suppliers' classification is usually done by comparing the similar suppliers and selecting them into the main groups according to the common factors. The company can define the prices, reliability or quality on the basis of the information gained. The system uses various types of buying analyses and standards according to the type of products and services. The aim of SRM is to collect these data and digitalize the communication with the suppliers. Effective SRM depends on the complex of data gained. It is very common that the data are spread all over the transaction systems providing the invoice payments, deliveries, orders, etc. All these sources can provide the company with important buying information extracted from the single systems by the SRM system. The system integrates them in its central database in the end.

Though, many other criteria are important when buying strategic materials and raw stocks, for example the price, creation of the longtime relationship with the suppliers, availability, reliability, frequency, multiplicity or quality. SRM system working with a wide range of information enables the company to identify the suppliers whose characteristics are related to the company's objectives and therefore these suppliers are worth setting a long time relationship. The system provides the connection to these suppliers and it may set a straight relation to them. The supplier may access the SRM system operating under the web extranet range by a special software and access key. The system closes the fictive chain of the company's transformation process /storage, production, sale/. It would not be possible to realize the company's outcome without integrating this system to the problematic chain.

Summary

This study refers to the possible interaction among the single systems which would be represented in the company under the headline of the "information system". Customer relationship management represents a part of the system which could not operate separately or undependably from the other parts. The system's relation to its surrounding must have a straight relation to the company's processes. The basic consumption for such an organization is creating a completely integrated information system in the company.

Bibliography

1. Berka M., Kučera J., Macur J., Solařík M.: *WWW multimediální informační prostředí internetu*, UNIS Publishing, Brno, 1996.
2. Coates Ch.: *Efektivní řízení*. Grada, Praha, 1997.

3. Ivanička K.: *Manažérske informačné systémy*. STU, Bratislava, 1991.
4. Molnár Z.: *Moderné metódy řízení informačních systému*. Grada, Praha, 1992.
5. Rudy J., Piškanin A. a kol.: *Manažment. Klasické teórie a moderné trendy*. FM UK, Bratislava, 1998.
6. Sedlák M.: *Manažment*. Elita, Bratislava, 1998.
7. Doucek, P.: *Nasazení integrovaného systému řízení pro získání konkurenční výhody*. In ATP Journal, 2004, č. 12, s. 53 - 55.
8. MIS Genesis: <http://www.genesis.sk>
9. ERP Micronet: <http://www.micronet.com>
10. Oracle: <http://www.oracle.com>
11. SAP: <http://www.sap.com>
12. databázy: <http://www.sybase.com>

Contacts

doc. Ing. Juraj Rákoš, PhD.
University of Prešov in Prešov
Faculty of Management
Ul. 17.novembra č. 1
080 01 Prešov, Slovakia
E-mail: rakos@unipo.sk

Ing. Sylvia Jenčová
University of Prešov in Prešov
Faculty of Management
Ul. 17.novembra č. 1
080 01 Prešov, Slovakia
E-mail: sjencova@gmail.sk

Problems of Downsizing in Crisis Period

Ladislav Sojka

University of Prešov in Prešov, Faculty of Management

Abstract

The paper describes the phenomena of downsizing as the result of crises and other reasons particularly cost reduction. Point out the impact on selected groups of employees, especially victims, survivors and executioners. On the base of selected studies stated is the downsizing as the strategic process, consisting of five stages.

Key words

Downsizing, layoffs, crises, survivors, executioner, victims

Introduction

With the last economic downturn, generally viewed as the worst since the Great Depression, some firms and industries that never had to deal with downsizing were faced difficult situation.

Studies on downsizing have revealed mixed results of impact on organization effectiveness and human resource behavior. Downsizing results in negative outcomes such as loss of skills, instability resulting from uncertainty, negative impact is on survivors, victims and executioners. To execute downsizing properly, it must be a part of overall human resource strategy. The aim of this paper is to point out main impacts of downsizing on all attached groups and to show the procedure, how to perform it with dignity and minimum of losses and stress.

This article will examine findings of empirical research studies and others sources to determine the impact of downsizing on selected group of individuals, psychological contract, reputation of the organization and employee behavior. Downsizing is usually response to market situation, particularly in period of crises. Downsizing should be done in the way to minimize the negative impact on core competencies, productivity and workforce behavior.

Impact of downsizing on selected groups

Downsizing is a set of activities, undertaken on the part of the management of an organization and designed to improve organizational efficiency and

productivity, and/or competitiveness. It represents a strategy implemented by managers that affects the size of the firm workforce, the cost and the work processes. (Cameroon, 1994, s. 195)

Downsizing can be initiated by many reasons. Usually are following:

- impact of crisis
- lack of demand,
- cost reduction,
- merger and acquisition,
- competitiveness pressure,
- outplacement of activities.

Downsizing has negative impact as a minimum on three groups of individuals. There are following groups.

Victims

The separated, or “victims”, who lose their jobs and are explicitly affected by downsizing. Lack of trust, low morale, reduced self efficacy, and self-esteem, career path disruption, financial problems and increased stress are problems faced by them. (Kozlowski et al,1991)

Survivors

The employees who remains with the organization after downsizing the workforce or the “survivors”. They, though stay employed, sit net to empty desk and are grappling with the guilt that psychologist label “survivor syndrome”. Symptom of sickness include job uncertainty, perception of unfairness, stress from increased work and loss of loyalty and commitment.(Buch 1992; West, 2000)

These behaviors are indicative of a phenomenon called survivor “syndrome”. Survivor syndrome refers to a marked decrease in motivation, engagement, and productivity of employees that remain at the company as a result of downsizing and workforce reductions. It entails a series of complex psychological processes and subsequent behavioral responses. (Anonymous, HR Focus, aug, 2009)

Survivor's syndrome starts with the destruction of a psychological contract. The psychological contract is viewed as the perceptual, involving the reciprocal responsibilities of the employee and employee, with a distinction typically being made between the transactional and relational components of contract(Morison and Robinson, 1997)

Symptoms of survivor's syndrome
Feelings of anger and betrayal
Mistrust
Demoralization and depression
Risk aversion
Increased absenteeism
High turnover
Aggressive behavior
Decreased creativity
Lower productivity

Downsizing executioners

The managers driving this process who are usually perceived as hatchet man or the “implementers”. Some authors labeled them as “executors”. Though not always understanding the reasons for either the rightsizing decision or the attendant expectation, most are aware of social responsibility falling on their shoulders, and are very sensitive to the potential for unfairness. (Brahma, 2001)

In principle downsizing executioner are individuals with responsibilities for planning carrying out, and/or dealing with aftermath of downsizing activities. This definition is deliberately broad, encompassing a variety of individuals who have formal responsibilities for downsizing. Therefore this definition does not assume that certain type of person, such as line manager, HR manager, or HR consultant serves as an executioner across all organization and situation, rather it recognizes that different types of people with different professional roles at different organizational levels may conduct a downsizing activity depending upon the situation or context.

Downsizing as the strategic oriented process

Downsizing has become a part of the working life because of crises period. Therefore we do not need to assume that downsizing would come as a shock to most workers today.

Both, manager and their employees know that some of the feature of new business environment include competition for knowledge workers, outsourcing and foreign manufacturing plants, the move toward leaner and more efficient organizations, and prioritizing cost reduction. Workers know that businesses must pay more closer attention than before to customer's needs if they are to stay competitive. They are also aware of the difficulties

associated with maintaining customer loyalty in a global business environment where the customer is more sophisticated and has more choices.

Successful downsizing needs to be performed as the strategic decision. According Cummings and Worley 2001, In: Gandolfi 2007 this process consists of five phases.

1. Clarification organizational strategies.
2. Assessment stage : Relevant choices and key decision.
3. Implementation stage: reduction in workforce.
4. Survivor syndrome: behavioral implication of remaining workforce
5. Organizational renewal and growth.

First stage

Entails redefinition and communication of business strategy, redefining the goals and objectives and redefining of human resource strategy as integral part of business strategy. It is important to differentiate two basic situations in connection with downsizing strategy. First case is cutting of jobs because there are no demands, for example of crises period. Second case is cutting of jobs in order to seek new efficiencies. In accordance with a first or second case will be chosen the downsizing strategy.

Second stage

Refers to decision which methods of downsizing will be implemented. There are three basic methods (Cummings and Worley, 2001) which can be implemented.

1. *Workforce reduction*. Main purpose is headcount reduction, short-term implementation. Used methods are attrition, transfer outplacement, buyout packages, layoffs. Hiring freeze, early retirement, retrenchment.
2. *Organization redesign*. Characteristic for this strategy is, organization change, moderate term implementation, foster and transformation. Eliminated are functions and layers, eliminated are product, redesign of tasks is made. Reduction of overall of work hours.
3. *Systemic redesign*. Aimed at culture change, long term implementation, foster transformation, systemic redesign. Change responsibilities, involves all constituents, simplification. Downsizing is way of life. Bottom-up change, continuous improvement.

In the literature are appeared two other archetypal approaches of downsizing strategy. (Freeman 2004) These concepts were labeled as reinforcement (convergence) and reorientation strategy. Farrel and Movdono

(2004) assert, that the approaches of reinforcement and reorientation are built upon differing model of organization change.

The reinforcement or convergence concept, embraces the notion of evolutionary, incremental and gradual change model. As the consequence, reinforced, or converged downsizing would be implemented on smaller scale and as part of process aimed at reinforcing an organization mission, strategy, systems, and structure.

While convergent strategy of downsizing may yield a reduction of cost, it remains unclear as to whether it is effective strategy. Cameroon (1994) argues, that uncertainty of knowing who will loss or keep their position creates a stress among employees. Furthermore, if key individuals leave the organization, it is difficult to ascertain what effect this may have on the knowledge base, organizational memory, and critical skills(Cameron, 1994). Studies have shown, tat the effect of convergent downsizing on surviving individuals produced decreased levels of employee trust in the organization and its managers.

Furthermore, survivors experienced guilt and exhibited lower morale. (Farrel and Mawdono, 2004). Survivors have also shown signs of increased level of stress due to job uncertainty and increased workloads, and are reported to lack of concentration. Convergent downsizing decreasing the organizational commitment of survivors.

Concept of reorientation, in contrast, encompasses the notion of revolutionary, metamorphic and discontinuous change model. Thus, reoriented downsizing would be implemented on a larger scale, with major redefinition of an organization mission strategy and structure. According Westerman and Sherden (1991), reorientation focuses on organizational inefficiency by means of reanalyzing jobs, re-designing tasks, and developing a philosophy of continuous improvement.

Third stage

This stage involves implementing methods for reducing the size of the organization. There are several practices that characterize successful implementation. According to experts at The Five a Clock Club(In: Bayer, 2009,pg 2), some suitable practices are following.

Put your policy in writing. An impulsive, "letting the chips fall where they may" approach has no role in affirming and constructing a proper termination policy. Because preparedness is vital, termination procedures must be embedded in a written policy and, over time, instilled in the organization's culture. These practices must become a part of workplace protocols.

Train your managers in the realities of human hurt. When people are going through a termination process, great sensitivity is required. Human lives and futures are at stake, and the organization's image is on the line. Accordingly, managers and HR officers must be trained to listen attentively and to respond to employee distress.

Develop positive scripts that help people keep their dignity. Carefully prepared (though flexible), positive scripts are indispensable to the separation process. Enabling people to pick up the pieces and move on should be the goal; separated employees who have been damaged by the termination process may be ill equipped to grapple with the emotional battering that may come next. Kindness can't salvage the lost job, but it may help the employee maintain the confidence needed to find a new one.

Saying a nice word plays a critical role in helping people keep their dignity. The lack of kind words eats at people and erodes morale. The guiding norm, at the very least, should be to do no harm. In a downsizing or merger, it is easier to assure people that this is a no-fault situation, but even here self-esteem can take a beating, and positive scripts are essential.

Be up-front about why this is happening. Much depends on how people get the news - the words that are actually used are important.

Employees will want to know how they ended up in the group that is being downsized. Your positive scripts will help you deliver the explanation, but a good general rule is to be as open and honest with them as possible. People are more likely to feel empowered if they understand what went wrong.

Termination with dignity presumes that the package will include severance pay (when possible), ongoing career coaching, and in-house counseling to help separated employees come to an understanding of what combination of severance pay and support services is appropriate. A full explanation of these benefits should be handed to the employee in writing at the beginning of the meeting.

Avoid sudden-death discharges. Although there may be no way to eliminate the element of surprise, there are ways to reduce shock and humiliation in the wake of a downsizing that has been a closely guarded secret. Except in the most unusual of circumstances, there is little justification for sudden death discharges - abruptly telling an employee about being let go and forcing that person to immediately leave the firm.

There is a better way to handle these situations. If possible, organizations should consider offering the option of a decompression period two weeks of notice issued by the employer during which the discharged employee has the opportunity to finish tasks, complete projects, make arrangements for keeping

in touch with coworkers, and, perhaps most important, know there will be a definite paycheck coming in for the first two weeks of a job search.

Assure your employees that you'll be a good reference for them. Because the primary rationale for termination with dignity is to empower the employee and enable the employee to move ahead with life, letting people know you'll put in a good word when a future employer calls for a reference can play a crucial role. For years, organizations have believed that references can translate easily into lawsuits.

Thus, most employers do little more than verify the dates of employment. The result, of course, is that information is sought informally and travels by the grapevine - increasing the chances that hearsay or rumors can damage reputations and careers.

It is worth the effort to reinvent strategies on references and convey good news about people to prospective employers. Even those who are fired for poor performance deserve to have their good points preserved in the record.

The fourth stage

The fourth stage is named as survivor syndrome. During this stage employees are generally asked to take additional responsibilities and to learn a new job, often with little or no increase in compensation. Survivor syndrome involves a narrow set of self-absorbed and risk-averse behaviors that can threaten the organization's survival. The emotional aftereffect in what is referred to as survivor syndrome include, a workforce that exhibits fear, anger, frustration anxiety and mistrust. Those employees who survive the downsizing intervention must assess how their personal values and beliefs align with that of the newly structured organization. Additionally, symptoms of survivor syndrome pose a real threat to performance and productivity with new roles and additional tasks required of each employee as a result of a smaller workforce restructured to perform an increasing number of responsibilities.

The fifth stage

The final of downsizing involves implementing the organizational renewal and growth process. Organizations often fail in this stage because they don't share growth plan and renewal strategies with their employees (Mirabal and De Young, 2005).

Summary

The paper describes impact of downsizing process on separated groups of individuals. The main groups are victims, survivor and executioners. All

impacts must be taken into consideration, not to damage the efficiency of the organization. It is noted, that downsizing should be implemented as the deliberate human resource strategy, consisting of five stages.

Bibliography

1. ANONYMOUS, 2009. *Post-Layoffs Management*. Partner's Report. New York : Aug. 2009. Vol.0i,Iss. pg 2,2pgs.
2. BANDURA et al. (1996). *Mechanism of moral disengagement in the exercise of moral agency*, Journal of Personality and Social Psychology, 71, 364-371.
3. BAYER,R. 2009. *A kinder, gentler firing: seven best practices for handling layoffs and downsizing*. PM Public Management. Washington: Mar. 2009.Vol.91,Iss2, pg 40-42
4. BROCKNER, J.(1990).*Scope of justice in workplace : how survivors react to co-worker layoffs*,Journal of Social Issues, Vol. 46, No 1, pp 95-106.
5. BROCKNER,J. 1994. *Interactive affects of procedural justice and outcome negativity on victims and survivors guilt*.Academy of Management Journal, Vol. 29, No. 2, pp373-384.
6. BUCH,K.1992. "*How does downsizing affect employee involment*". Journal for quality and participation. Vol. 15., pp 74-77.
7. BRAHMA,G (2001). "*Canging Gears: hiringis hard, firing is harde*. Human Capital pp12-13
8. CAMERON,K.S., (1994). *Strategies for successful downsizing*". Human Resource Management Journal. Vol.33, pp 189-212.
9. CLAIR,J., DUFRENSE, R.L.(2004).*Playing a grim reaper: How employees experience carrying out a downsizing*. Human Relation, 57.
10. FARRELL,M, MAVONDO, F.T.(2004). *The effect of downsizing strategy on learning organization*. Personal Review, 33(4). Pp 383-342.
11. FREEMAN,S.J. (1994). *Organizational downsizing as convergence or reorientation: implications for human resource management*.Human Resource Management, 33, (2). Pp 213-238.
12. GANDOLFI, F.(2006). *Corporate downsizing demystified: a scholarly analysis of business phenomena*, ICFAI University Press, India.
13. GANDOLFI, F. (2007). *How do the large Australian and Swiss bank s implement downsizing?* Journal of management and Organization, Vol. 13.
14. KONOVSKY,M and Folger, R.(1991). *The effect of procedures, social accounts, and benefits level on victim's layoffs reaction*. Journal of Applied Social Psychology. Vol. 21, No8, pp 630-650.
15. LAZARUS, R.S., FOLKMAN,S.(1984)*Stress appraisal and coping*, Springer, New York..
16. MIRABAL, N. DeYOUNG,R.2005. *Downsizing as the strategic intervention*. Journal of American Academy of Business, Cambrdge; Mar 2005, 6,1,1

17. MORISSON,E.V., ROBINSON,S.L. (1997). *“When employees feel betrayed: a model of how psychological contract violation develops”*. Academy of Management Review, Vol. 22, pp 222-256
18. NIRMALA,M.,C and AKHILESH, K.B.(2006). *An attempt to redefine organizational justice: in the rightsizing environment*. Journal of Organizational Change Management; 2006, 19,2.
19. NOER,D (1993).*Healing the Wounds: Overcoming the trauma of Layoffs and revitalizing Downsized Organizations*. Josey- Bass, San Francisco, CA
20. WESTERMAN, J.G.;SHERDEN, W.A. (1991). Moving beyond lean and mean Journal of Business Strategy 12,(5), pp12-16

Contact

doc. Ing. Ladislav Sojka, CSc.
Faculty of Management
University of Prešov in Prešov
Ul. 17.Novembra č.1
E-mail: lsojka@unipo.sk

System Approach in Relation to Process, Procedural Control and Process Control

Andrej Šutaj-Eštok

University of Prešov in Prešov, Faculty of Management

Abstract

In article there are reflections about relations of system and process, understanding of procedural and process control.

Key words

System, process, procedural control, process control

Introduction

Reason of reflections in this article is opinion differences in understanding of system approach to object improvement (one of system characteristics is transformation process) and to process approach to their improvement. In relation with those reflections there is possibility to say opinion on understanding of procedural control and process control.

Understanding of system and process

System is defined by structure and behavior. It is possible to describe system by system characteristics. One of them is transformation process, which is known as “way of process flow, change of inputs to outputs”. This is sometimes understood as process understanding. Definition of process according STN EN ISO 8402 is: “system of reciprocally coherent resources and actions, which transform inputs to outputs”. According mentioned definition it is not possible to identify it.

In definition according STN it is implicitly stated understanding of process as system, not only its transformation process. Therefore processes, which are objects of control and they are understood according norms STN EN ISO 9000, we can approach like they are objects, to which we can implement a system.

Determination of system on object and its description by other system characteristics is much more visible.

Understanding of procedural control

Understanding of procedural control according to Tuček:

“Procedural control is defined as methodology for evaluation, analyze and improvement of key company processes, based on needs and wishes of customers”.

“Target of company processes optimization is mainly never-ending quality increase, effectiveness of products manufacturing with related cost decrease at the same time”.

“For choice of indicators for evaluation of process effectiveness it is necessary to respect necessity of parallel optimization of three basic process parameters: costs, time, quality”.

Understanding of procedural control according to Hanke:

“Process orientation needs significant movement in understanding of organization and company run. Whole company run is synchronized horizontally by processes and not vertically in frame of different departments. But those organizations usually continue in keeping of department structure”.

Procedural controlled organization is oriented on result of all company actions, which are integrated and compressed to processes, i.e. value add, which is brought to customer (internal or external) and he is willing to pay for. Process oriented organization is flexible enough and it is able promptly to react to market changes and customer requirements.

Process approach according to STN EN ISO9004/2000:

“Application of system of processes in frame of organization together with process identification and their interaction, as well as their management, can be understood as process approach.

Procedural control of company can be understood as management of company as system, which parts are processes, which is shown in norm STN EN ISO 9004/2000, where we put accent on:

- target behavior of company as result of all actions of company,
- creation of value add and comparative advantages,
- shortening of times for preparation and realization of product,
- assurance of needed product quality by customers,
- cost decrease for all company activities“.

In concentrated shape we could determine our understanding of procedural control as:

Under procedural control we understand system management of activities, transforming inputs to outputs, where the accent is put on chosen attributes of output or pass of chosen activities.

At the same time:

- a) We can see controlled activity flow as an object, which we can implement a system on, which has its own structure and own target behavior, what means, that we can describe this object by system characteristics. It gives us possibility to improve this object by system (system analysis) and to project by system (system synthesis), therefore in system, according to its final target behavior, all parts and all interactions must have such quality and quantity, which is needed according to final target behavior of system.
- b) Activities are understood as activities of all kinds and on every level of management – action, operation, whole manufacturing process or working place, workshop, plant, company, ...
- c) Attributes of activities are given by required output – output parameter, output costs, cycle time etc. If it is important for us for example preparation time and realization time of output, there will be coherent process activities adjusted according to defined output – their inputs, flow, output. Part of that can be some conditions and limitations. The most important is that, where we put accent on for definition of output parameters.
- d) Leading approach is system thinking, system view on controlled object. This approach is, according to our opinion, mandatory condition for understanding of procedural control.

Understanding of process control

This means control of process as an object of control. Here we show the basis of process control according to Linczenyi.

“As processes are managed from quality view, then it is necessary to concentrate on activities, which are realized in those processes. There can be found useful activities, imaginary activities and support activities, addle and false activities. We have to be able to manage processes like, the process effectiveness is the highest“.

Bibliography

1. Hanke, M. : Měření výkonu a efektivnost businnes a IT procesů. In: Informační technologie pro praxi. Sborník přednášek z konference. Ostrava: Dům energetiky Ostrava, 2006
2. Jassinger, A.: Základy moderného riadenia ekonomiky. Bratislava: Práca, 1981

3. Linczenyi, A.: Nové prístupy k manažmentu kvality. Zborník: Svetové tendencie v strategickom manažmente a nové trendy rozvoja marketingovej teórie. Nové Zámky: Cranium, 2001
4. Lipták, F.: Rozbor intenzifikácie výrobného procesu. Bratislava: Práca, 1988
5. Porvazník, J.: Celostný manažment. Bratislava: Sprint Vfra, 1999
6. Tuček, D.: Aspekty procesního řízení a koncepty řízení výroby českých průmyslových podniků – habilitační práce. Zlín: UTB ve Zlíne, FMaE, 2006
7. Závadský, J.: Procesný manažment. Zborník, Bratislava: MKP - konferenčná spoločnosť, 2003

Contact

doc. Ing. Andrej Šutaj-Eštok, CSc.
Faculty of management
University of Prešov in Prešov
E-mail: estok@unipo.sk

Public Administration – a Specific Area for the Application of Risk Management

Juraj Tej

University of Prešov in Prešov, Faculty of Management

Abstract

Risk management is part of the management of each economic entity in the private and public sector. Risks occur in all areas of social life, the natural environment, technical and technological processes, including the provision of public services. In the institutions of government and self-government is essential to apply a risk management framework because of the removal or elimination of risk, increase quality of services for the population and sustainable development. Current laws are starting to change in the current climate changes and to attach greater importance to risk management related to floods in various areas.

Key words

risk management, public administration, self administration, risk of budget, risk of flood

Introduction

Public administration is a specific area that is characterized by its own specifications that are based on the need to provide public goods. As regards the socio-economic area with a strong influence of political factors, which is typical inability to achieve profitability, there are a large number of non-equilibrium situations often associated with insolvency, but also to many crisis situations associated with the beneficiaries of public goods that must be addressed through statutory powers of the components of public administration.

All public administration institutions, especially self-government, must decide to use the funds to provide public services. The quality of their decision-making is associated with the degree of knowledge of the subject, with personality assumptions, including the attitude towards the risk posed by the subjective element of decision making; objective decision-making aspect means understanding the problem, which is under consideration. Forecasting the future is associated with risk management in both private and public government. Every decision is generally the choice of objective function. In

normal managerial situations, is the process of quantification of the objective function risky for various reasons (mostly the lack of information needed for decision and the lack of time to decide, but also because of lack of knowledge ...). Reducing the probability of the risk means increase in the efficiency of decision-making as a permanent process, which provides:

- improve the process of obtaining information about decision-making situations and their determinants;
- specification of the decision-making subject, knowledge and competence - especially in the public administration sector, where they are often covered by the legislation;
- promoting a culture that does not avoid the risk, but to actively use it to their advantage.

Materials and methods

Each non-equilibrium state is due to long-term operating factors, which of the various objective and subjective factors not kept permanently, but after reaching a certain quality problem (the budget deficit and risk management), or random factors which cause significant and rapid worsening of the situation and require immediate systematic and coordinated solutions (natural disasters). It is necessary to identify potential risks due to deficient management of public administration. The work shows the problems of the risks of budget at the level of state administration and by floods at the self-government level.

Public administration and risk management processes

Clarification of the risk and its definitions can be found in different technical literature, for example Gozora (2000), Šimák (2001, 2006), Rektorčík et al. (2004), Tej (2007) Hálek (2008), Varcholová, Dubovická (2008). According to the authors' definitions, risks have their specific or disparities that arise from specific fields of activities. They are located in all areas of social life in the natural environment that is particularly specific for public administration but also in technical and technological processes (mostly in the private administration).

In the case of public administration entities can be characterized by a wide range of risks that are specific to the objectives of the institution, which must be met, but also professional orientation and the nature of the environment in which they operate. The public sector can be classified as follows (processed by Klučka, Šimák, 2009):

- external risks as:
 - financial risks (such as not full financing of self-government responsibilities)
 - strategic risks (changes in customer requirements and results of political processes);
 - operational risks (the composition of the representation, ICT)
 - other risks (especially natural factors);
- internal risks such as:
 - creativity
 - liquidity,
 - quality of employees
 - work with the public

The public administration authorities are implementing risk management in all its bodies and this can be seen as in the private sector as part of a business management culture of each institution operating in the public sector.

Risk management in any environment clearly shows that the level of security activities and the level of security of environment is directly linked with value criteria. Therefore raises the need to implement economic analysis. The duty of state administration employees, self-government, statutory representatives and individuals - their competent persons is also to carry out the activities that are part of risk management, for example:

- identify the risks posed by establishing the background processes
- analysis and risk assessment
- adoption of risk management strategies,
- awareness of the actors (individuals and institutions) with residual risks
- continuous monitoring of risk levels (Varcholová, Dubovická, 2008; Klučka, Šimák, 2009).

In the run processes is necessary to identify interdependencies in parallel and sequentially going actions and recognize their mutual dependence, and on that basis make subsequent identification of risks, resulting in a assessment places of origin of risk and summary of the risks encountered and may be repeated periodically or non-periodically, and therefore can be, given the same activities of the institutions, expected to occur in the present and future (such as financial risk in the self-government). Risk analysis is the assessment of the probability of risk, and predictable and unpredictable consequences and causes. It is necessary to assign weights of significance to the various risks, given that their probability of occurrence and intensity of action varies in the past did not always occur as risks or risks developing into crises (e.g. floods).

It is necessary to prepare strategies based on the causes and consequences assessment and take action to eliminate or reduce the risk assessments, which should be reflected in the adopted and approved by the institution's risk policy. It is essential to acquaint about existing upcoming solutions individual institutions and individual actors, because the residual risks (eg natural disasters) tend to be for public administration clients very high (floods and cancellation of insurance or radical changes the insurance zones...).

Examples of risk situations in the public sector

Budget risks means tensions between the expenditure and revenue part of the budget an adequate level of management as well as tension between the demand for public services and supply on the territorial principle. This may be just the business as well as non-business activities, both have risk potential. Decisions on the supply of public services and goods in them have sufficient potential for follow-side risks such as loss of reputation or risk of worsen mutual relations. The importance of risk management in public administration shows last published data of NKÚ ČR (Table 1) to quantify the losses in state administration (only very weakly similar material shows the report of the State administration audit SR from the year).

Table 1 Distribution and description of the identified risks and weaknesses

Name	mil. Kč
2.1 Deficiencies that caused the losses	42 483
2.1.1 State property – direct losses	238
2.1.2 State property – indirect losses	610
2.1.3 State budget funds – income	1 034
2.1.4 State budget funds – expenses (direct losses)	4 275
2.1.5 State budget funds – expenses (indirect losses)	35 876
2.2 Deficiencies which may cause losses	73 142
2.2.1 Uncompleted inventory of property	9 946
2.2.2 Inadequate protection of property (theft, fraud, manipulation)	275
2.2.3 Failing or faulty accounting management	33 408
2.2.4 Unrealized tender	2 462
2.2.5 Contracts weaknesses	790
2.2.6 Other weaknesses	26 261
2.3 Formal deficiencies in the management	2 657
SUM	118 282

Source: Crisis Management (2001)

This is one of most documented case as example of the activities of the state administration when it is necessary to speak about the application of the principles of risk management. Another example is the flooding problem in self-government area, which occur in an unexpected way this year. *"The May and June floods in Slovakia according to previous estimates called for damages of € 267.8 million. Damage to municipal property, citizens and autonomous regions have reached € 176.5 million and state property 91.3 million €. Top damages for about € 156.8 million caused by the large water in the Košice Region, followed by Nitra Region (73 millions €). Estimated damage is preliminary and approximate, because access to certain regions is not possible."* (Reuters report, 9th June 2010), table 2. Described damages are not complete and do not affect damage caused by stress on population itself.

To the risks to the local government we must include also the risk of flooding. Current knowledge of the effects of climate changes shows that in the next century in general and the flow of rivers and streams are likely to be increased risks of flooding. It is therefore necessary to increase the care and protection from flooding both at the national level and also at the local level, in particular managing the risk.

Table 2 Estimation of flood damages by day 8th June 2010

Type of damage	mil. €
Damages: in Slovakia	267,8
on property of municipalities, counties and citizens	176,5
on state property	91,3
Damages in most affected region (<i>Košice Region</i>)	156,8

Source: Správa TASR (9. 6. 2010)

The assessment of flood risk as it is possible to rely on current Slovak legislation. Crisis situation defined by Law no. 387/2002 as the period during which it is threatened or compromised national security and constitutional authorities may, after fulfilling the conditions laid down in constitutional law or special law to address to declare state of emergency, emergency or exceptional situation. Special events are part of the crisis phenomena and may represent the trigger. Incident under the Law no. 444/2006 § 3 means a natural disaster, accident, disaster or terrorist attack. Flooding by Act no. 7 / 2010 for flood protection means the temporary covering areas not normally covered by water - the law came into force on 1 2nd 2010th According to § 26 of that Law is carried out in the community delegation of state administration in the flood protection activities in the field of prevention:

1. directs and controls the activities of persons carrying out the tasks in the field of protection against floods,
2. works with administrators of watercourses,
3. works with persons responsible for drawing up proposals for flood risk management plans, to review and update
4. cooperates to the extent possible in the implementation of preventive measures for flood protection in the cadastral territory of the municipality,
5. handles of flood protection works plan,
6. generally binds regulation requires municipalities to establish and update flood rescue plan legal persons and natural persons - entrepreneurs whose object can be affected by flooding and attaches them to the flooding of the village plan,
7. draws up flood rescue plan for the municipality, which includes plans to flood under the sixth paragraph,
8. establishes flood village committee to the tasks in the field of flood protection
9. provides opportunities within the workforce and material resources for flood protection,
10. announces the date for the flood survey owners, administrators or users of buildings, structures or facilities in the area which is likely to be threatened by floods,
11. participates in inspections of flood water flows, which flow through the cadastral territory of the village.

Municipality creates a budget to fulfill tasks as the main source of funding of their competence (Fabián, 2005). For flood protection is establishing flood committee. Preliminary flood risk assessment and draft of flood risk management plan are new activities for administrators of watercourses as well as for the municipalities. Decree of the Ministry of Environment of Slovak Republic, sets out details of the preliminary flood risk assessment, the review and updating is not yet approved and therefore the village in spring 2010 have been invited by the administrator of the watercourse to cooperate in preparing, reviewing and updating the preliminary flood risk as well as a draft flood risk management plan.

The complexity of the situation for small municipalities is demonstrated in the following example:

Flood rescue plan for the municipalities cited by legislative amendment should include the following seven annexes:

Annex no. 1 – Authorities of local and state government against the flood, the status of Flood Commission:

1. Plan of calling of Flood Commission
2. List of Flood Commission and its technical staff.
3. Status of local Flood Commission.

Annex no. 2 - Levels of flood activity, loud and warning service:

1. Security detection and warning services.
2. Water levels at gauging stations and water reservoirs, according to which the municipality declare levels of flood activity
3. Connection with the administrator of rivers flows.

Annex no. 3 - Rescue operations and evacuation measures:

1. List of houses, amenities buildings, farm buildings and other objects that may be affected by flooding.
2. The list of residents needed to evacuate in the event of flooding.
3. Numbers of domestic animals, which before the flood will be moved.
4. Determination of the sequence of evacuation.
5. Determining the place of substitute housing, the location of livestock and equipment.

Annex no. 4 - Security of powers and resources to carry out relief work:

1. The name list of workers, for the performance of rescue work.
2. List of members of municipal fire brigades and other components involved in measures to protect against flooding.
3. List of equipment of the municipal fire brigade.
4. List of vehicles and special mechanisms needed for implementation of measures to protect against flooding.
5. List of disinfectants for the implementation of hygienic-epidemiological measures.
6. An overview of the storage of poisons and pollutants in the impact of flood waves.

Annex no. 5 - Organization of flood protection in the Slovak Republic and the legislation:

1. Act on protection against flooding.
2. Implementing regulations.

Annex no. 6 - Flood diary of municipality.

Annex no. 7 - Situation of expected rescues in the municipality developed on the contour maps.

To illustrate we show the data from the most affected region, to be compared with the size of municipalities, municipal management and the size

of funds that make up its budget (Table 3). Difficulty of tasks passed by new law on the (small) municipality described above does not require comment.

Table 3 Evaluation of the estimated effects of excitement dam VHD Veľká Domaša

Municipalities in risky area	Number of endangered inhabitants	% of flowage
Malá Domaša	422	100
Slovenská Kajňa	588	70
Žalobín	421	60
Benkovce	278	50
Ondavské Matiašovce	537	70
Tovarné	862	80
Sedliská	740	60
Majerovce	222	50
Kladzany	435	70
Hencovce	1 167	100
Kučín	218	50
Nižný Hrabovec	560	40
Poša	382	50
Dlhé Klčovo	1 387	100
Nižný Hrušov	517	30
Vranov – rekreačná ob-	800	100

Source: data from Municipal office in diluvial area of Veľká Domaša

Summary

Improvement of preventive measures against flooding will be achieved only through close cooperation of actors in this field. The flood prevention measures include, technical, biotechnical and economic measures (they are designed to remove and eliminate the causes of flooding). These measures perform the owners and managers of land and local self-government. Other measures are the organizational and control measures and activities, which provide mostly by the state administration in the field of floods protection, where are presently represented municipalities with transferred performance of state administration. It should be noted that risk management improves decision-making competence, transparency and reduces the likelihood of negative consequences.

Bibliography

1. FABIÁN, Š. *Rozpočtovníctvo a účtovníctvo*. Bratislava: Súvaha, 2005, ISBN 80-88727-92-8
2. GOZORA, V. *Krízový manažment*. Nitra: SPU, 2000, ISBN 807137-802-X
3. HÁLEK, V. *Krízový management – teorie a praxe*. Bratislava: DonauMedia, 2008, ISBN 978-80-89364-00-8
4. KLUČKA, J., ŠIMÁK, L. Riadenie rizika v orgánoch štátnej správy a samosprávy. In *Verejná správa a regionálny rozvoj. Ekonómia a manažment*. Bratislava, VŠEMVS, č. 1/2009, r. V., ISSN 1337-2955
5. REKTOŘÍK, J. a kol. *Krízový management ve veřejné správě – teorie a praxe*. Praha: EkoPress, 2004
6. ŠIMÁK, L. *Krízový manažment vo verejnej správe*. Žilina: ŽU, 2001, ISBN 80-88829-13-5
7. ŠIMÁK, L. *Manažment rizík*. (http://fsi.uniza.sk/kkm/publikacie/mn_rizik.pdf) Žilina: ŽU, 2006
8. TEJ, J. *Správa a manažment*. Prešov: PU v Prešove, 2007, ISBN 978-80-89040-33-9
9. VARCHOLOVÁ, T., DUBOVICKÁ, L. *Nový manažment rizika*. Bratislava: Iura Edition, 2008, ISBN 978-80-8078-191-0
10. ŽIVČÁK, P. Manažment bezpečnosti v kontexte prevencie. In: *Pokrokové priemyselné inžinierstvo*. Žilina: ŽU v Žiline, 2010, s. 430-433, ISBN 978-80-89401-12-3
11. Crisis Management. 2001. Dostupné na: <http://www.continuitycentral.com/crisisman.htm> [on line] 1. 6. 2010
12. Poslanci pre povodne zasadnú do lavíc. (Správa TASR, zo dňa 9. 6. 2010). Dostupné na: <http://noviny.joj.sk/z-domova/9-6-2010/clanok/poslanci-pre-povodne-zasadnu-do-lavic.html> [on line] 10. 6. 2010
13. Zákon č. 387/2002 Z.z. o riadení štátu v krízových situáciách mimo času vojny a vojnového stavu
14. Zákon 444/2006 Z.z. o civilnej ochrane obyvateľstva
15. Zákon č. 7/2010 Z.z. o ochrane pred povodňami

Contact

doc. Ing. Juraj Tej, PhD.
University of Prešov in Prešov
Faculty of Management
Department of management
17. novembra 1, 080 01 Prešov
E-mail: tej@unipo.sk

Benchmarking in the Development of Regional Banking

Monika Tomčíková

University of Prešov in Prešov, Faculty of Management

Abstract

This article addresses the issue of benchmarking in the development of regional banking. Its aim is to create awareness of the importance of using methods of benchmarking as a process of peer review and an overview of modern management methods applied in Western countries. Great attention is paid to the problem of obtaining and processing information needed in the implementation of this method comparing with the competition. This article includes research aimed at finding the level of Slovak banks and other financial institutions in the Prešov region in the use of benchmarking methods, and specifically in the area of products and services via the Internet. The main contribution of this article are suggestions and recommendations should be followed when using this method. The result may be applicable to support the use of benchmarking methods in our corporate sector.

Key words

benchmarking, development, regional banks, internet products, services

The development of benchmarking

Benchmarking the organization operates on a very strong force. It is importance for survival in the competition should be no doubt. The term "benchmarking" began using company called Xerox 1979. From that time began to be used and further developed by other companies. In 1979 Xerox company found that the Japanese market sold "copiers" for a price lower than production costs for them. The company immediately began "Competitive benchmarking" in his production so far focused on the study and analysis of all the copier market, situated in terms of cost, design and other characteristics. This procedure has been drawn radical conclusions and objectives of the solutions that bring the desired success in the manufacturing sector firms. Therefore in 1981 company management decided to implement benchmarking in all areas of their business.(sbic)

Process of benchmarking

1. Definition and Planning: definition of the objectives of the benchmarking project, assembling a project team, project planning,

organization and process design (rough draft), document processes (limit, critical success factors evaluated parameters), determination of internal data collection methods, identification of potential benchmarking partners / contact with them, common the initial project workshop.

2. Internal analysis: clarification of own process, general survey data, modelling and analysis of the process, amendment of the relevant variables and evaluated performance indicators, internal survey data.

3. Comparison and analysis / identification of potential improvement: general comparison of figures with potential benchmarking partners (through workshops), the choice of suitable partners in a benchmarking, survey data from benchmarking partners (joint development of a detailed questionnaire, visit the company / discussion with partners, the survey data), comparison and evaluation, identification of strong points / potential improvement, self-interpretation of results.

4. Action planning / preparation for the implementation: internal discussion of the results (to ensure willingness to change) / where a final meeting with partners, the derivation of realistic goals and establish priorities, develop an action plan / strategy to improve the determination, preparation of project plan.

5. Realization / Implementation of improvements: realization and management actions (Project Controlling), the verification process of realization (monitoring the achievement of objectives), internal presentation of results/ end of project, evaluation and documentation of results and progress of the project. (Karlöf, 1995)

Benchmarking in banking institutions

Slovakia's accession to the European Union mean for the banking industry entry of new international or global players in the market and a number of acquisitions of existing business entities, thus further sharpen competition in the industry. Changing ownership structures of financial institutions transferred with them many changes in their management. There was a transfer of know-how from parent companies to the local branch including best managerial practices. In order to successfully cope with competitive pressure not only Slovak branch just have to learn from their mothers, but also global players if they want to remain the leading firms in globalized markets have to learn from others how to be best in various aspects of business. This can be achieved for example by comparing the different processes, practices or strategies with the most successful firms and their use in corporate governance and planning changes leading to significant changes to eliminate

"competitive gap". This approach is generally called benchmarking. In essence, benchmarking is a tool that serves to improve performance, processes and firm performance comparing with the best companies operating within the industry or outside it. (Tkáčová, 2005)

Regional opportunities and motives of business the banks in Slovakia

The main motive of business when deciding on entry to certain territory is unmet demand or needs the territory and from their resulting potential profit. Otherwise it is not even in business decisions of banks. Already in the past created financial institutions not only in big cities, but as in the countryside, where offered and managed credits of the rural population. Such a decision prior to differentiation of regions by market attractiveness, which based from a deeper analysis of other factors, eg. return on credits and investments in the region, profitability of future business, investment intensity entry of banks into the region and options achieve. For most major Slovak banks because of their universal character and major investment opportunities, is economically interesting to penetrate into new areas, the priority from the beginning economically strong and perspective regions. A second and equally important motive of bank is improvement of liquidity with aim to minimize of the risk. Banks with large and variable network of workstations acquire passive operations available funds in the region. These funds will improve their own liquidity or they may offer to use other banks as depository banks. In less attractive areas the bank oriented to provide services selected customers which is typical for the region. They are based bank with specific action on local capital, which have a major importance in the process banking a business less attractive areas. In this effort calculated with interest and help by State, as it is in developed countries. The state may operate through the Ministry of Finance, or based non-commercial state financial institutions. Typical areas of interest is the development of agriculture, foreign treade and support housing construction. One of the problems of our past was moving deficit state budget on banking system undermine the mechanism of assessing risk and providing liquidity in the banking. So were created the conditions to decrease the effectiveness and reproduction of inefficient projects. The short-term government support in beginning banking the region is welcome, but long-term effort developed of regions through state banks may lead to the program falling behind the region. The bank shall before entering the region know needs and possibilities. Two factors are crucial: market attractiveness of the region and the bank's ability to compete in the region. The first factor the bank compares the attractiveness of the region with other, which can enter and

make their analysis. In the second bank compares own options with activities competing banks in the region, being determined, whether the bank will be able to obtain an exclusive position on a given territory, or it will only participate. After analyzing the bank should know the answers to these questions: *what the bank wants in the region to do and what facilities and equipment it needs, how capital is needed to implement the project activity, from what sources will be covered by the project costs, which workers will need bank in terms the number and professional structures.* For a thorough analysis of the bank knows options and business barriers in the region and may decided for some form of engagement in the region: *building central banks in the region which to concentrate their business activities, share capital for establishing sister or subsidiary bank, establishment of branch, or representation rejection of business in the region.* (Korauš, 1997)

Analysis using of benchmarking in the development of regional banking

In the second half of year 2009 was realized research focused on the use of benchmarking in regional development banking and other financial institutions. The research was realized in Prešov. The objective of the research was defined as follows: *„determine the level of Slovak banks and other financial institutions in use of benchmarking methods – competitive benchmarking of financial products and services provided over the internet“.* Participated in this research 25 institutions. Return the questionnaire was 100%. It was found that competitive benchmarking in area internet services realized 44 % respondents, but only 24 % respondents concluded a formal agreement to implement a project benchmarking with the selected institution or with institutions for comparison internet services. This is due to lack of experience in the banking sector and other financial institutions. As the main reasons for the implementation of benchmarking internet services of all respondents reported findings on how to improve in area of internet services and accordingly improve the overall quality and performance of institutions. The results are therefore consistent with the view of several authors (Camp, Karlof, Plura, Nenadál), *that the main objective of benchmarking is to achieve higher performance.*

Table 1 Reasons for the implementation of benchmarking

Reasons	%
Finding opportunities for improvements in internet services	32 %
Improving the overall quality and performance of institutions	32 %
Getting more new customers	20 %
Modernization	16 %

Summary

At the first sight seems to be that the benchmarking is in management only the last cry of fashion. Benchmarking is not only transient fashion and hobby of leading workers. It captures the unusual high contents of essential problems. In the present conditions globalization of society still arise for new solutions to achieve business excellence. They are the solution, which accepting changes in the market and require the introduction of new approaches to work, of which is necessarily linked to the reorganization of businesses. One of the reasons causing these changes in the market is increasing computerization of society, which leads to a radical change in the nature of the banking sector. Information technology is mainly used for interactive communication with customers. Based on the results of research realized in the banking sector and other financial institutions in Prešov region can be found, that the factors most affecting the business excellence in this sector are similar like in other areas: *satisfaction of customer, continual learning, innovations, development and engagement of employees, quality and engagement of management*. Increase competition in the banking sector is also in Slovakia one of the major factors, which have to financial institutions consider when creation of their strategic plans. Progressive development modern information and communication technologies forcing of banks to very rapidly rate went to the „electronic “surroundings, which is significantly different from the „traditional bank branches “. Based on the current trends: the need for increasing the overall quality of service, the needs satisfaction customer requirements and assumptions, which have to be met, is need attend ensuring and improving the quality in the banking sector. Based on the realized research can be found, that examined the financial institutions although started with activities, which supporting it, but their practices are quite unsystematic and for their higher efficiency would be appropriate to address the following areas: *increase awareness in using of benchmarking as*

one the methods of quality management in the financial sector, the need training further staff in this area, effectively managing benchmarking projects by top management. Benchmarking in terms of the author operate on organization very strong power. His importance for the survival of companies in competition fight should be outside any doubt.

Bibliography

1. KARLÖF, B. – ÖSTBLOM, S. 1995. Benchmarking. Jak napodobit úspěšné. Praha: Victoria Publishing. 1995. 136 s. ISBN 80-85865-23-8.
2. KORAUŠ, A. 1997. Bankovníctvo na Slovensku. Bratislava: SPRINT. 1997. 189 s. ISBN 80-88848-17-2.
3. TKÁČOVÁ, J. 2008. Ako preniknúť na trh EÚ – metóda benchmarkingu. In: Hospodárske noviny. Bratislava.
4. www.sbic.sk

Contact

PhDr. Monika Tomčíková
University of Prešov in Prešov
Faculty of Management
E-mail: monika.tomcikova@gmail.com

Modern Paradigm of the Knowledge Management

Maria Turiyanskaya

Donetsk institute of tourist business

Abstract

The basic features of a new economy of XXI century (knowledge-based economy) are examined in the article. A big attention is paid to the appearance of a new section of a management science and a new type of administrative activity that corresponds the requirements of knowledge-based economy – intellectual resources management. A change of the economic development paradigm leads to an accelerated development and a use of non-material assets and non-material economic activity environment and a diminishing of materially-resource and spatial limits of scopes of growth rates. Researches show that basic pre-conditions of a knowledge-based economy formation is a knowledge transformation into the major factor of production along with a work, natural and financial resources, an innovations transformation into the basic source of the economy growth and competitive capacity of enterprises, regions and national economies. The possible scenarios of the development of Ukraine are examined cum a knowledge-based economy development

Key words

knowledge, management, knowledge-based economy

For developed countries the XX century was terminated with the period of an active passage to a knowledge-based economy – the stage of the economic development on which intellectual resources play a decisive role in a production of goods and services and possibilities of companies that are formed on their basis. The specialty of a new economy consists in knowledge that becomes a direct productive power. Information technologies modify a financial basis of a modern production and a distributing and the productivity increasingly depends on a practice. A modern practice testifies the appearance of a new section of the management science and a new type of the administrative activity that corresponds to requirements of a knowledge-based economy – an intellectual resources management. A production, an acquisition and a spread of new knowledge are possible only with the developments of their forms and organizations management methods that will become a conductor of technological revolution, science and innovations in different stages.

K. Kelli in his book «New rules for a new economy» represented the main features of a new economy that in his opinion are the most evident in a changing world:

- global character of existent changes;
- operation with intangible amenities: ideas, information and relationships;
- close network and co-operation of separate segments of new economy [1].

In K. Kelly's opinion these three identities create a new type of a market and society whose activity is based on a network principle with the situation when «the world of high technology begins to manage the world of machines - the world of reality».

The main identity is the accelerated development, the use of intangible assets and non-material environment of economic activity. A production, distributing and use of knowledge form the mainstay of «knowledge-based economy» and its infrastructure becomes a world information network. A paradigm shift of the economic development that reduces the material resource and spatial growth rate limits substantially consists in it.

Some features pay big attention:

1) discrimination of knowledge as a product (concrete knowledge either is created or not; there can not be one half or one third of knowledge); 2) knowledge like other public benefits are accessible for all people without exception; 3) in itself knowledge is an informative product (information does not disappear as an ordinary financial product after having been consumed).

As numerous researches show the main suppositions of «knowledge-based economy» are:

1. Knowledge transformation into an important production factor with a work, natural and financial resources;
2. Increase of the service industries interest and the forward-looking growth of services for a business;
3. Growth of the human capital and investments value in the system of education and staff training;
4. Development and large-scale use of new informative communication technologies;
5. Innovations transformation into a basic source of the economy growing and competitiveness of enterprises, regions and national economies.

According to the process of the knowledge-based economy establishment a metric formation takes place that reflects the level of the development of higher demand sectors on knowledge and knowledge-based economy in general. The examined aggregate of metrics and summary indexes allows estimating readiness of a country to pass to the development model that corresponds to the knowledge-based economy.

It is possible to confirm that in any case there is a well-known balance between knowledge definiteness and a degree of their structuring. A knowledge classification that is developed by European commission experts is below [2].

A knowledge management is becoming a new type of the administrative activity that comprises decisions and actions of:

- a practice of a giving the additional value to a present information with the help of exposure, selection, synthesis, generalization, storage and spread of knowledge;
- a giving a consumer's character to knowledge so that this knowledge will be necessary and accessible for users;
- a creation of interactive teaching surrounding where people can exchange with the information and use all conditions to adopt this knowledge.

The function of knowledge management embraces the use of market methods depending on the features of one or another stage of the organization, acquisition of new knowledge. In a table one of the variants of this process subdivision on the stages is shown (table.1).

Table 1 Stages of new knowledge acquisition and mastering

Stage	Description of the stage
1. To define	Definition what knowledge have a fundamental importance for a success
2. To collect	Acquisition of existent knowledge, experience, methods and qualification
3. To choose	Formation of a stream of collected, well-organized knowledge, estimation of their benefit
4. To keep	Selected knowledge are classified and brought in the corporate memory
5. To distribute	Knowledge are extracted from the corporate memory, become accessible for the use
6. To apply	Practical use of knowledge during a realization of tasks, a decision of problems, an arrival at a decision, search of new ideas and a teaching
7. To create	New knowledge are picked out by way of taking notice of clients, using a correction retraction, an analysis of causes, a benchmarking, an experience, researches, an experimentation, a zero gravity thinking, an information development
8. To sell	New products that can be realized out of the enterprise are created in terms of the brain capital

In the context of an every stage it is necessary to use modern information technologies.

Many scientists and specialists see eye to eye that it was necessary approximately 17 centuries from the beginning of our era to double knowledge. The second doubling of knowledge happened in 1900, the third – in 1950, it means that during 50 years this process passed quicker in 8–10 times. According to preliminary calculations the beginning of the XXI century was marked by the increase of the information volume more than in 30 times.

Prospects of production, accumulation and use of knowledge can be mentioned because during the last 30 years a serious breach was realized thanks to which at an early date radical changes can happen in all of spheres of human vital functions. Rates of development of these breaches in the nearest 15 years can not slow, but can become more impressive. «Technologies of the future» will become more integrated; it means that they will unite at once forthcoming achievements of some departments of knowledge.

It is possible to refer, for example, to the priority of the national programs management of nanotechnologies development that is conditioned by a revolutionary technological circumstance that nanotechnologies are the policy of the production of living and lifeless nature objects with the set atomic structure by means of a purposeful atoms and molecules manipulation. A production and a distribution of knowledge in this area is a nearly central task of scientists, specialists and higher link of management.

The impressive prognoses of the researches development, elaborations and practical mastering of their results pointed to a special importance of the programs of accumulation of knowledge specify in nanotechnology and organization of management these processes (tables. 2).

Table 2 Some aims are nanotechnology development prognoses

Aims	Ex ante term of the aims achievement
Replacement of the traditional methods of production with the assembling of the articles of consumption molecular nanorobots directly from atoms and molecules	The beginning of the XXI century
Creation of molecular nanorobots-doctors that will «live» into a human organism, removing nascent damages and preventing new ones	The first half of the XXI century
Replacement of «natural machines» for the food (plants and animals) production with the artificial analogues — complexes of molecular nanorobots	The middle and the end of the XXI century
Achievement of the personal people's immortality due to the introduction in the organism molecular nanorobots	The end of the XXI century

The stage of the knowledge-based economy wherein a main factor and result of economic activity is knowledge comes after a development of the «repeater» stage of economy wherein commodity stocks and supplies have a role of a basic factor and a result of production operation. Presently exactly this stage takes a place in Ukraine. Behavior from this initial point can be carried out in two directions, each of which has the scenario and a sequence of phases (pic. 1).

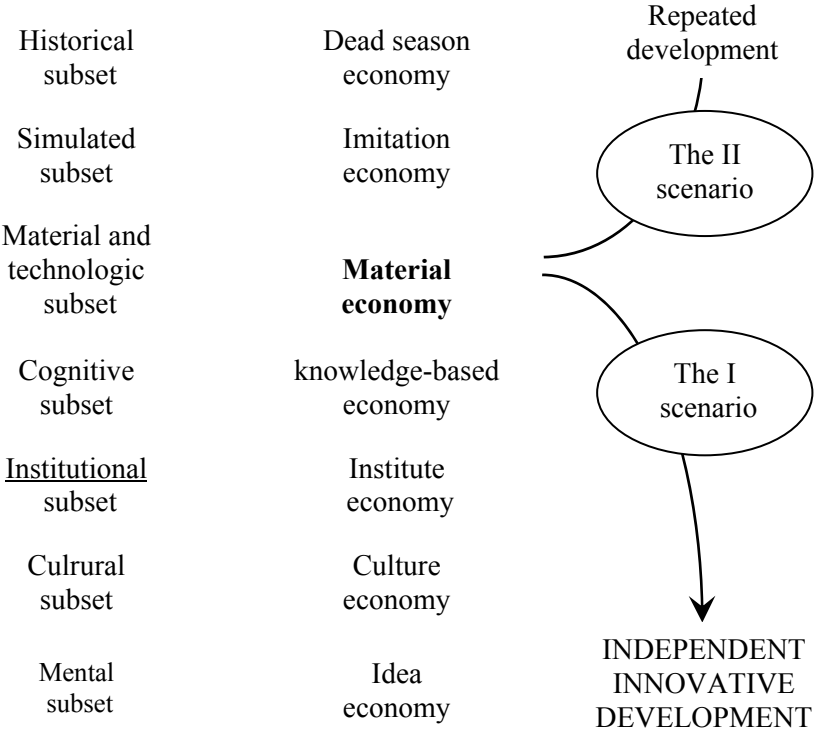


Fig. 1. Possible scenarios of the country development

If a strategy of harmonious, balanced and innovative-stabilizing development will be realized in a country, a behavior of a country becomes real according to the first scenario the initial stage of which is a passing to the knowledge-based economy as the next stage of the economy and society development. Here knowledge becomes the basic resource of production and the basic competitiveness factor of a country. Further behavior in this

direction lead to the in the institute economy where its institutional system is the main serviceable life of a country. On this stage in inter-country competition countries with the most effectively realized institutional system win. The next stage is a culture economy where a country with the most developed culture wins. And, finally, the last point on this way is an idea economy, where a basic resource and factor of competition becomes the quality of the human thought, their intellectual, moral and emotional levels and also the degree of their harmonization.

If a strategy of innovative and balanced development will not be realized in a country and events will develop on other scenario (scenario 2), Ukraine waits the way of repeating development (it means an overtaking development. But for us the behavior character is more important than its purpose that is why it is more correctly to say about a repeating development). If to be more exact it is necessary to say about the imitation economy as in an economic development of different objects repetition can not be, only an imitation is possible at its best. In this case the knowledge-based economy will not become the future, but the pas of Ukraine.

Bibliography

1. Kelly K. New Rules for the New Economy. Ten Radical Strategies for and Connected World.-P.2.
2. The third European lecture about the indexes of the science and technique development: to the knowledge-based economy. European commission, 2003.

Contact

Maria Turiyanskaya
Doneck Institut of Tourist Business
Ukraine, 83114, Donetsk, Universitetskaya str., 94
E-mail: turiyanskaya@rambler.ru

3. Marketing and Innovations

Roles of the Universities in Knowledge Society and Activity Assessment of the University of Prešov in Terms of Its Performance

Viktória Ali Taha

University of Prešov in Prešov, Faculty of Management

Abstract

Knowledge and learning process are regarded as the main source of sustainable success and competitiveness of the regions. The role of universities in knowledge society is irreplaceable, and their impact and importance for regional development is indisputable. This is evidenced by the wide range of roles that universities perform. In education process they create human capital and intellectual property and the results of scientific research are used by private sector and society. Thus they are becoming one of the leading creators and distributors of knowledge. Finally, they serve as a source of regional innovation and growth based on technology. The aim of the contribution is to assess the activity of the University of Prešov in terms of performance of the universities' basic tasks in knowledge society, based on research carried out by means of questionnaire in Prešov Region.

Key words

Region, regional development, learning region, knowledge, knowledge society, universities

1. The role of universities in a developing and learning region

The situation in the region in recent years has significantly changed. While in the past a major source of economic success of the regions been natural resources, today it is mainly the knowledge and skills, the ability to create, disseminate, and apply these knowledge and consequently on them create innovations and new technologies. The prerequisite for a success of the regions is the ability quickly and continuously learn, adapt and respond to changes. These skills are the essence of the concept of learning regions.

As mentioned above, knowledge becomes an important determinant of growth of the regional economies. The vital role in the process of creating and disseminating knowledge play universities which are among the most important knowledge-based regional centers. Under the influence of socio-economic change, the role of universities has developed and expanded. The

original two key roles (tasks) of universities are education and scientific research and development. These roles are relatively independent of both the economic and social development of the state as well as industrial development. To the original two tasks was added the new role of universities. According to Gunasekara (2004), which refers to other authors and resources the essence of „new“ role of the universities is the targeting on community service (OECD, 1999), regional development (Goddard-Chatterton, 1999), regional engagement (Holland, 2001), and academic entrepreneurialism (Etzkowitz and Leydesdorff, 1999).

1.1 Education

The traditional role of universities is education. Its output is the most educated groups of the population. In connection with the educational function of the universities Stephen (2004, in Beer-Cooper, 2007) argues that universities generate intellectual property that can be commercialized and contributes to the creation of new enterprises and industries. The quality and structure of the education system affects the qualification of human resources which is an important factor affecting the competitiveness of enterprises and the development potential of the region. Education and training of human resources in the region increases the average level of human capital, their skills and thus grow their earnings and employment opportunities (Buček, 2006). Human capital is one of the determinants of economic growth and, together with research and development is regarded as one of the drivers of the accumulation of knowledge and endogenous growth. Becker (1964, in Gunasekara, 2004) argues that „human capital, the value of incomes that stem from education, training and other investments in human development, is an important element enabling the development of national and regional economies“.

Each learning region is characterized by the ability constantly and continually to learn, adapt and change. Individuals living in the territory should also continuously learn and adapt. In this issue related to the issue of lifelong learning, the universities should pay more attention. According to the Resolution of the Slovak Republic, the driving force in building lifelong learning in EU countries is the recognition that growth of national wealth and competitiveness of the countries depends on human labor force, peoples' education and ability to receive and develop new knowledge.

1.2 Science, research & development

In addition to education role, universities are dedicated to scientific research and development (R&D). The business sector and society as a whole

benefit from the results of university R&D. The research helps to promote, support the business environment and competitiveness of the region. The intensity and quality of research carried out at universities and other research institutions have a significant impact on innovative output of the region. Universities are increasingly involved in regional and national innovation systems. According to Fritsch and Slavtchev (2007) the spatial proximity to sources of knowledge is very important for regional innovation activities. This means that proximity to the university as a research center can significantly enhance innovation in the area. Therefore, universities are in terms of their research activities deemed crucial element of regional innovation systems.

In fulfilling the tasks in R&D exist substantial differences between individual countries and regions. The rate of R&D funding in the Slovak Republic is still low and our country is among the countries with the lowest intensity of R&D funding (expressed as a percentage of GDP). The European Union plans by 2010 to increase the intensity of the R&D funding and reach the level 3% of GDP. According to the Lisbon Strategy by the end of this period, the research and development should be financed of two-thirds by the private sector (which is currently only about 50%).

By the Minerva (the official government program of development of the knowledge economy in Slovakia) “publicly funded domestic research must meet current European and world standards in terms of its quality and objectives. Basic research should reflect current scientific developments in the world and applied research and development should react to the most important economic challenges and contribute to economic growth”.

1.3 The third role of universities

For a long time universities functioned as an autonomous institutions and their main task was education and research. Their "involvement" in the territory in which they are located, was minimal. But now universities play an increasingly important role in their regions. According to Karlsen (2005) change of the status and role of universities relates to the fact that the first two roles - education and research - are not specific enough towards economic and social objectives in regional development. The third role of universities, by this author, is associated with the production of knowledge relating to the development needs of the region. Lazzaretto and Tavoletti (2005) in this context, argue that the „new powerful socio-economic forces are demanding universities to be engaged in regional economic development and their knowledge to be relevant in terms of local employment, university spin-offs and growth“.

Universities can contribute significantly to the development of regions in a knowledge society by generating new knowledge, which translate (transfer) into practice. They are seen as a driver of innovation and are increasingly involved in innovation processes of firms. This involvement is best done in terms of mutual geographical proximity because to operate in the neighborhood of something and someone play an increasingly important role. In this regard, Fritsch and Slavtchev (2007) argue that academic knowledge tends to be spatially bounded, which considerably complicates the possibility of collaboration and knowledge spillovers between actors located in different regions. „The obvious reason for such constraints of transferring academic knowledge is that part of this knowledge is tacit in nature“ (Polanyi, 1967 in Fritsch-Slavtchev, 2007) and „transmission of such tacit knowledge requires particular channels and media – often frequent face-to-face contact – and becomes increasingly costly with geographical distance“ (von Hippel, 1994 in Fritsch-Slavtchev, 2007). Jaffe (1989, in Fritsch, Slavtchev, 2007) gives other advantages of geographical proximity of the university. He says, that scientists and graduates who are leaving universities tend to work in places which are close to their academic origin. This fact also causes some spatial constraints and limitations in the exchange and sharing of academic knowledge.

Armstrong and Taylor (in Urbančíková, 2006) offer the summary of main areas of university impact on the region. These authors in examining the ties between universities and regional economies have reached the following conclusions:

- Universities produce qualified human capital and thus:
 - ⇒ the existence of universities in the region has impact on the emergence of new firms and acts as an incentive for organizations to expand their activities in the region by providing them an advantage of highly educated graduates,
 - ⇒ universities through its education promote the quality of local workforce;
- Universities employ highly skilled employees in many sciences and disciplines and this has resulted in:
 - ⇒ high concentration of knowledge at universities and its positive impact on regional economy,
 - ⇒ human resources, concentrated in the universities, can provide expert advice to regional organizations (public and state, profit and non-profit) in activities related to their scope of activities;
- University presence in the region increases its cultural and economic attractiveness and improving its image.

2. University of Prešov in terms of performing tasks in region

The subject of our research was University of Prešov in terms of performing its basic tasks. The object of research was the ability of this university to serve as a knowledge centre in developing Prešov region. This region - as developing region - attempts, like other regions in Slovakia and Europe, transform into a learning region. In such efforts can significantly help the local university with the active support and responsible approach. That is why the attention was focused on University of Prešov. Research was conducted through questionnaire. The questionnaire was focused on identifying the views of respondents on those areas of activity of the University of Prešov, which relate to the essential role of universities in knowledge society (defined in the first part of this paper).

The basic research file consists of regional actors - representatives of the private, public and third sector - working in Prešov region. Questioning was carried out personally and electronically. The sample size was 298 respondents. Respondents evaluated the selected areas of activity of the University of Prešov on five-step evaluation scale:

very good	good	average	bad	very bad
1	2	3	4	5

Percentage distribution of responses is in Table 1.

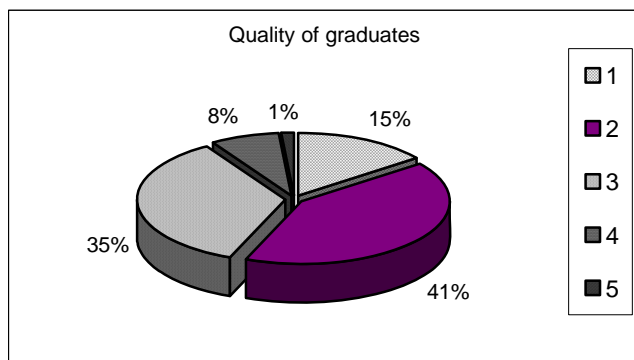
Table 1 Percentage (%) distribution of responses

Evaluated area	1	2	3	4	5
A – quality of graduates	14,8	41,3	34,9	7,7	1,3
B – knowledge transfer	3,5	43,3	40,8	11,0	1,4
C – support of lifelong learning	11,0	42,4	38,3	7,9	0,3
D – cooperation with private	3,5	28,9	47,9	18,0	1,8
E – support of regional	5,5	30,7	51,2	12,3	0,3

Source: the output of statistical programme PASW Statistics 18

Respondents evaluated a number of activity areas of the University of Prešov. The first evaluated area was - the quality of "produced" graduates (i.e. human capital) and developing skills for the knowledge society (A). Assessment of the respondents was as follows: 14.8% of respondents rated this area as very good, 41.3% as good and 34.9% on average. 17.8% of respondents consider this area as bad and 1.4% as very bad (Figure 1).

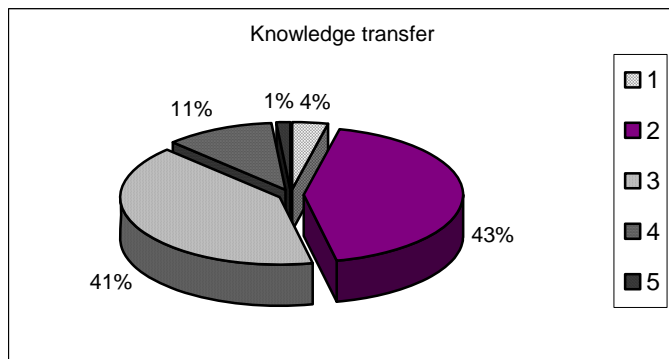
Fig. 1 Quality of graduates - % distribution of responses



Source: own processing – output of programme MS Excel

The second assessed area was - the support of regional innovation activities of the companies and organizations through the knowledge and technology transfer (B). Overall, the evaluation of this area can be considered positive. This area was negatively assessed by 12.4% of respondents (responses 4 and 5). The area of knowledge transfer is considered as average by 40.8% of respondents. 3.5% of respondents consider this area very good (1) and 43.3% good (2). Percentage of responses illustrates the Figure 2.

Fig. 2 Knowledge transfer - % distribution of responses

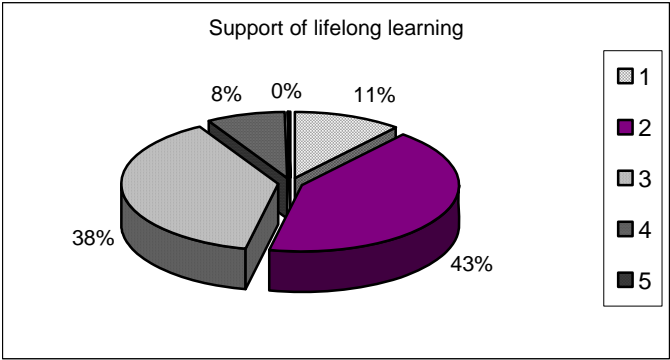


Source: own processing – output of programme MS Excel

Another evaluated activity area of University of Prešov was – support of lifelong learning and providing training for organizations (C). Also this area was relatively well-evaluated by respondents. The most (42.2%) respondents

rated this area as good (value 2). The second most frequently occurring rating (38.3%) was 3, i.e. average level. 11% of respondents consider this area very good, nearly 8% bad and 0.3% very bad (Figure 3).

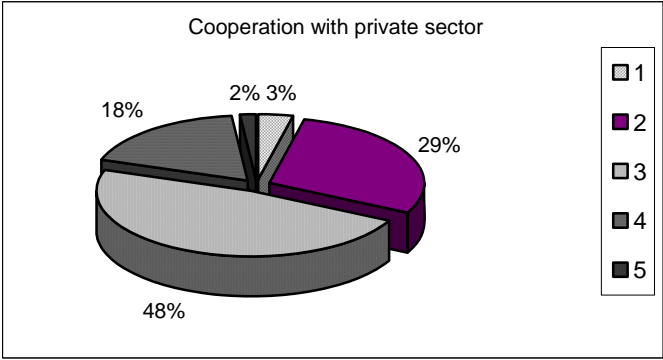
Fig. 3 Support of lifelong learning – % distribution of responses



Source: own processing – output of programme MS Excel

Respondents also evaluated the university cooperation with industry (D). The most frequently was this area rated as average (nearly 48% of respondents). Positive evaluations had a slight predominance over the negative, since nearly 29% of regional actors rated it as good and 3.5% as very good. In contrast, 18% of respondents consider this area bad and 1.8% very bad. The results are in Figure 4.

Fig. 4 Cooperation with private sector - % distribution of responses

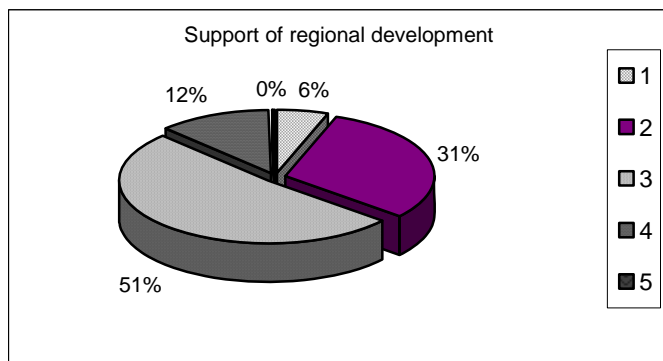


Source: own processing – output of programme MS Excel

The survey asked regional actors about their view of university's support of regional development (E). Again, most assessments had value 3 (average).

Nearly 31% of respondents evaluated this area as good, 5.5% as very good. 12.3% of respondents consider this area bad and 0.3% very bad (Figure 5).

Fig. 5 Support of regional development - % distribution of responses



Source: own processing – output of programme MS Excel

Summary

The aim of the research was to assess the University of Prešov in terms of performing the basic tasks and roles under the changed socio-economic conditions. The situation in the Prešov region, which belongs to the developing regions, as well as the dominant position of University of Prešov in the region underline the importance of such research. Although the results of the survey showed relatively good evaluation of different areas of university's activity, they can not be considered a satisfactory outcome. In terms of developing region there is a necessity of active, systematic and highly responsible approach of the university to its roles and mission that are critical to the development of a knowledge society.

Bibliography

1. BEER, A. – COOPER, J. 2007. University – Regional Partnership in a Period of Structural Adjustment: Lessons from Southern Adelaide's Response to an Automobile Plant Closure. In: *European Planning Studies*, Vol. 15, No. 8, September 2007. ISSN 1469-5944.
2. BUČEK, M. a kol. 2006. *Regionálny rozvoj – novšie teoretické koncepcie*. Bratislava: vyd. EKONÓM, 2006. ISBN 80-225-2151-5.
3. ČVERHOVÁ, D. 2009. Intelektuálny kapitál a možnosti jeho merania. In: *Implementácia špecifických znalostných a marketingových modelov a nástrojov v regionálnom rozvoji: zborník vedeckých štúdií z výskumného grantu VEGA*

č. 1/4638/07 a Centra excelentnosti výskumu kognícií – CEVKOG. Prešov: FM PU v Prešove, 2009. ISBN 978-80-555-0060-7.

4. DOOLEY, L. – KIRK, D. 2007. University – industry collaboration; Grafting the entrepreneurial paradigm onto academic structures. In: *European Journal of Innovation Management*. Vol. 10, Iss. (No.) 3, 2007. p. 316-332.
5. FRITSCH, M. – SLAVTCHEV, V. 2007. Universities and Innovation in Space. In: *Industry and innovation*. Sydney: May 2007, Vol. 14, Iss. 2, pg. 201. ISSN 13662716. [online]. [cit. 7.10.2009].
6. GUNASEKARA, CH. 2004. The third role of Australian universities in human capital formation. In: *Journal of Higher Education Policy and Management*. Carfax Publishing, Vol. 26, No. 3, November 2004. ISSN 1469-9508 online/04/030329-15.
7. KADEBŘÁKOVÁ, A. a kol. 2008. *Růst, stabilita a konkurenceschopnost IV. - Česká republika v globalizované a znalostní ekonomice*. Praha: Linde nakladatelství, 2008. ISBN 978-80-86131-79-5.
8. KARLSEN, J. 2005. When regional development becomes an institutional responsibility for universities: The need for a discussion about knowledge construction and relation to universities' third role. In: *AI & Society*. London: Dec. 2005, Vol. 19, Iss. 4, pg. 500. ISSN 0951-5666.
9. LAZZERETTI, L. – TAVOLETTI, E. 2005. Higher Education Excellence and Local Economic Development: The Case of the Entrepreneurial University of Twente. In: *European Planning Studies*, Vol. 13, No. 3, April 2005. ISSN 1469-5944.
10. URBANČÍKOVÁ, N. 2006. *Ludské zdroje v regionálnom rozvoji*. 1. vyd. Košice: Technická univerzita v Košiciach, 2006. ISBN 80-8073-600-6.
11. *Minerva – mobilizácia inovácií v národnej ekonomike a rozvoj vedecko-vzdelávacích aktivít*. [online]. [cit. 25.6.2010]. URL: <<http://www.iminerva.sk>>
12. *Národný program pre učiace sa regióny*. [online]. [cit. 10.1.2010]. URL: <http://www.minedu.sk/data/USERDATA/DalsieVzdel/VDOC/narodny_program_pre_uciace_sa_regiony.pdf>

This article is published as one of the outputs by the international research grant “University Role in Regional Development and Knowledge Dissemination” SK-PL-0056-09, by Slovak Research and Development Agency SRDA (APVV) and the Centre of Excellence CEVKOG.

Contact

Ing. Viktória Ali Taha, PhD.
University of Prešov in Prešov, Faculty of Management
Ul. 17. novembra 1, 080 01 Prešov, Slovakia
E-mail: alitaha@unipo.sk; viktoriaali@gmail.com

Use of Public Relations, Advertising and MPR in Practice

Radovan Bačík – Jaroslava Gburová

University of Prešov in Prešov, Faculty of Management

Abstract

Nowadays, most of foreign and Slovak companies use marketing public relations (MPR) to support the promotion of company or product and image formation. Public relations (PR) includes a wide range of programs developed to promote and protect the image of the company and individual products. In some cases, MPR is cheaper than advertising, and sometimes more reliable. The aim of the contribution is to characterize the use of public relations and MPR in practice, to describe the main MPR tools, to compare public relations and advertising and to point to the expected development of communication channels in the upcoming years.

Key words

Public relations, Marketing public relations, Marketing, Advertisement.

Introduction

At present, scientific community generally accepts the fact that full penetration of marketing philosophy into company management and its all activities is an absolute prerequisite for its survival in the challenging competitive environment. The present time - the reality of the challenging competitive environment, the time of new controversies, debates but also barriers in the area of ethics, the time of new threats but also challenges - brought about the need for analysis, revaluation and new view on the optimal composition of the communication mix. These days, and even more for the immediate future, it is particularly appropriate to investigate the impact of advertising and other supporting means promoting a product in comparison an increase of the importance of the fourth component of the communication mix - **public relations** [11].

Public relations represents a complicated complex of tasks which can be fulfilled only with quality people. Public relations consists of publicity and partly of advertising. Publicity and advertising are highly effective areas. There should not be any restrictions other than ethical for their practical use and innovation of methods. Professionals know well that creative work brings only the best fruit when it is closely connected with the strategy of the organization.

1 Marketing PR

Marketing public relations (MPR) is directly related to the sale of the product and brand promotion. It is the part of marketing communications and generally comes under the responsibility of a brand manager. PR can be used to support a new product – for instance organizing events for the public such as the opening of the hundredth store, a trade festival in selling a hundred-thousandth car etc. Sponsoring and organizing special events with the aim to strengthen relationships with suppliers and distributors are used as tools [6].

MPR used to be called publicity the role of which was to control the edition of periodicals and broadcasting media - as opposed to paid advertisement – in order to support or even more to make a product, service, idea, place, person or company more visible. MPR plays an important role in the following tasks:

- **Assistance at introducing a new product.**
- **Assistance at reestablishing the existing, established product.** The press New York City until 1970 when the campaign I Love New York was launched.
- **Generating interest in the product category.** Businesses use MPR to restore the declining interest in commodities - milk, eggs, and potatoes - and to increase consumption of products such as tea, orange juice etc.
- **Influencing specific target groups.** McDonald's in Latin American and African countries sponsors local events and thus builds its good reputation in local communities.
- **Defending a product with problems among public.**

As the mass advertising decreases, marketing managers use MPR to build a brand awareness of new and outstanding products. In some cases, MPR showed that it is more effective as to the price than advertising but only when planned together with the advertising. Marketing managers need to get more experienced to use the sources of MPR. Gillette sets the trend in this area: any brand manager has a duty to take into account MPR in their budget, or to justify its non-utilization [8].

Main MPR tools include:

1. **Publications** – in effort to influence the target group companies greatly rely on published materials. These include: annual reports, brochures, articles, company newspapers and magazines.
2. **Events** – companies can attract the attention to new product or to other business activities by organizing special events such as

conferences about the papers, seminars, exhibitions, competitions and annual celebrations which can reach the target group.

3. **Sponsorship** – companies can promote their brand and company name by sponsoring sports and cultural events ...
4. **News** – one of the main tasks of PR professionals is to find or create reports about the companies, their products, and people, and to find the media which will accept print materials and mediate press conferences.
5. **The activities associated with public services** – the company can build the reputation by its financial participation in public affairs that are evaluated favorably.
6. **Media identity** – Visual identity is mediated by company logos, letterheads, brochures, signs, business cards, buildings ... [8].

2 Possibilities of use of public relations and advertising in practice; comparing public relations and advertising

The term **public relations** expresses the effort to build and maintain the understanding and trust in a mutual relationship between the organization and the public. The role of public relations is to create a good image which will contribute to the economic success of the organization, which in practice means to openly and honestly inform the public, to maintain personal contacts, to strive for the good atmosphere in organization and to cooperate with the press. If the press, radio or television inform (free of charge) about the organization in a positive way, it is the result of the serious work with the public [1].

Public Relations offers several unique attributes. They are very reliable – a reader finds new stories, characteristic features and events truer than in advertisements. Public relations can affect many prospective buyers who avoid dealers and advertisements. The message gets to a buyer as the "news" rather than a direct marketing communication. Public relations, in a similar way like advertising, can "dramatize" the company or a product [11].

In terms of communications public relations performs the following functions:

- **informative function** - reports on the company news in both directions, internally and externally,
- **contact function** - creates and maintains relationships with all major areas of society,
- **function of image** - creates, changes and maintains the image of a company, its products, people...,

- **stabilization function** - represents the position of a company on the market and assures its strong position,
- **harmonization function** - contributes to the harmonization of relations between economic and societal interests,
- **interest representation function (lobby)** - supports or rejects bills in negotiations with representatives of legislative bodies.

The effects of public relations are diverse and may involve all relevant departments of an enterprise - strengthening competitiveness, higher productivity of labor thanks to better working environment and staff motivation, growth in sales, easier access to capital, improved position in the labor market, ensuring the existence and future [1].

The advertising can be defined as a paid form of non personal presentation and promotion of ideas, products or services paid by identifiable sponsor. Among the companies that use advertising are not only business units but also museums, professional experts and community organizations which inform different target groups about their intentions. First advertisements can be found already in early history. Advertising is used mainly by private enterprises. It is an appropriate means of information and persuasion, regardless of whether it concerns the sale of Coca-Cola around the world or the benefits of drinking milk in developing countries [7].

Advertising can be very effective for the company, because it reaches a large number of existing and potential customers at relatively low costs. It is an indirect communication. The aim is to describe the enterprise in a way which will address the target segment, while the communication notification must be written or narrated in words of a customer [1].

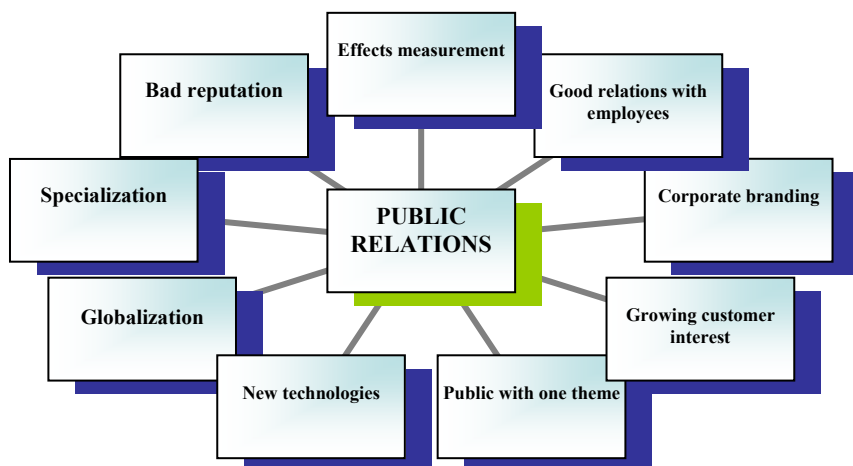
Differences between public relations (PR) and advertising:

- Advertising, as a part of the communication policy, is directed in particular at promoting the sale of a product or products, public relations, mainly at changing the image of an enterprise and its products at least among some of the public to the benefit of the enterprise.
- Advertising contains a competitive drive, a competitive element. In contrast to that, the PR does not seek competitors and distinction. PR looks for allies. PR builds up and enhances the reputation of company, gains support from the public and tries to maintain good relationships with possible competition.
- The time factor is different. The advertising campaign is relatively short compared to PR. PR builds the public opinion for a long time, the

positive image of a company even before it is introduced on the market, and consequently throughout the whole life-cycle of an enterprise.

- A significant difference is in the target groups. The target groups of advertising are real and potential customers, consumers. The target group of PR is the whole public, its all major parts.
- Advertising is what the enterprise says, public relations is largely what people say.
- Advertising is more externally focused, public relations more on its workers and the rest of the public.
- Advertising is more focused on the economic area. Public relations is aimed at the social area [11].

Fig. 1: Trends and problems in public relations



Source: PELSMACKER, P. – GEUENS, M. – BERGH, J.V., 2003, p. 305.

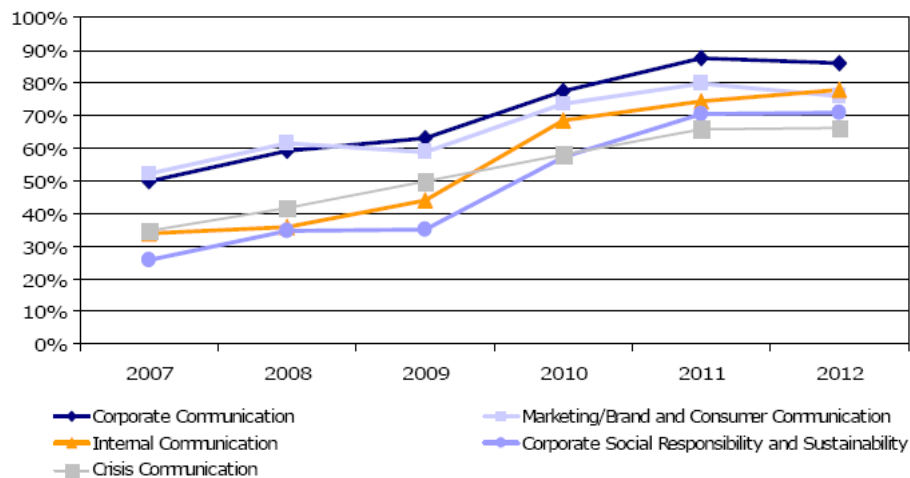
It is possible to trace a number of trends that make PR a very important communication tool. Even in the public relations problems occur Board (Figure 1).

Nowadays, companies should entrust the best members of the PR management with responsible functions and powers to manage the internal and external integrated communication. In many cases, they would come directly under executive director, who unconditionally support the integration process and its successful completion [12].

Working with the public may be focused on several areas, for example on corporate communication - the creation of institution identity (Corporate PR), on

internal communication (Internal PR), on contact with the media (Media Relations), directly on marketing communication, on obtaining financial resources, on crisis communication (Crisis Management), thematic campaigns, exhibitions, social communication, communication about products, on the support of company with regard to its profile - sponsorship, lobbying (public affairs)... The survey European Communication Monitor 2009, which was initiated by the Association of Communication Directors (EACD) and which was attended by 1,863 respondents from 34 European countries including the Czech Republic and Slovakia, indicates that while corporate communications in 2009 had only a slight upward tendency, during 2010 it is expected to increase sharply, and in 2011 its position will weaken slightly (Graph 1). Internal communication has a growing tendency, which should be maintained in the future. Crisis communication has currently a growing tendency and a similar development is expected in future periods [6].

Fig. 2: Long – term development of communication disciplines: Internal may overtake marketing/consumer in 2012



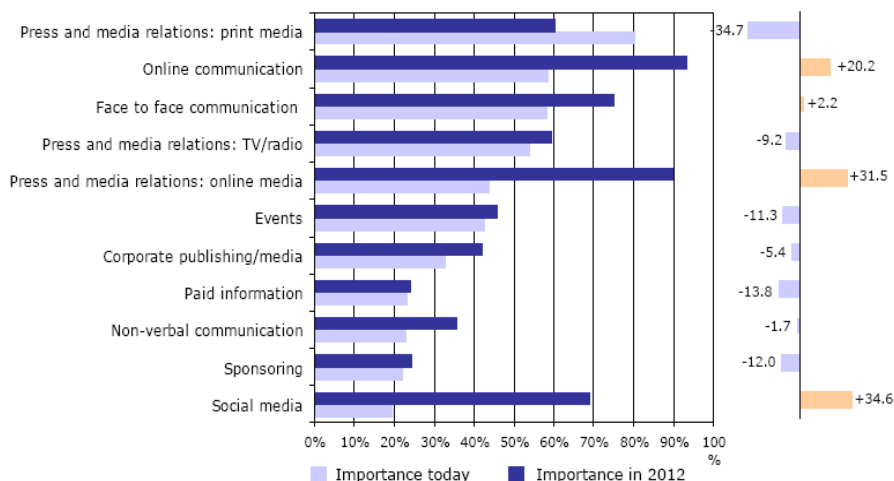
Source: www.communicationmonitor.eu

The amount of Internet advertising in the first quarter of 2010 reached on the servers of the Association of Internet Media (AIM) 5.76 million €. It comes to inter-annual decline of the amount by 5.3%, when in the first quarter of 2009 the advertising amount reached 6.08 million €. The order of the first three types of online advertisements remains unchanged with the display on the first place with 53.4% (3.08 mil €), followed by classifieds with 19.1% (1.1 mil. €) and search on

the third place with 16.7% (961 thousand €). In inter-annual comparison email recorded the growth by 75% and lead generation by 212% [9].

As a consequence of the falling influence of mass advertising and rising costs on media, marketing managers public relations. Companies that make full use of PR found that building awareness of the brand and the company can ensure effective PR of a new as well as of an established product. Some experts claim that an article has five times bigger impact on a consumer than advertisement. According to surveys, in 2012 the major channels of communication will be especially social media, online media and online communication, which will record a sharp increase. It is assumed that the print media and paid information will take background positions in 2012 (Graph 2) [6].

Fig. 3: Expected development of communication channels



Source: www.communicationmonitor.eu

Summary

Currently, most companies get into situations when the attention is drawn to overcoming the crisis in the most effective way. Time has shown that one-sided focus on customers and reaching them through advertising is not only costly and time consuming, but is also getting more and more into the background. Establishing relationships with the public or public relations (PR) is gaining a stable position in modern management of each prosperous company [6].

The success of individual businesses depends largely on the degree of trust and confidence which the public place in the institution, the views of external and internal environment of product quality [4].

Bibliography

1. CIBÁKOVÁ, V. – BARTÁKOVÁ, G.: *Základy marketingu*. Bratislava: Edícia EKONÓMIA, 2007. 217 s. ISBN 978-80-8078-156-9.
2. BIRKNEROVÁ, Z.: *Organizačné správanie – cvičebnica*. Prešov: Prešovská univerzita v Prešove, Fakulta manažmentu, 2010. 195 s. ISBN 978-80-555-0128-4.
3. *European communication monitor 2010*. In [on-line]. [cit. 2010-06-21]. Dostupné na internete:
< <http://www.communicationmonitor.eu/> >.
4. FERENCOVÁ, M. – BUTORACOVÁ ŠINDLERYOVÁ, I. *Marketingová komunikácia*. Prešov: Prešovská univerzita v Prešove, Fakulta manažmentu, 2009. s. 102 – 103. ISBN 978-80-555-0013-3.
5. FERENCOVÁ, M.: Problematika masmediálnej komunikácie vo vybraných dokumentoch. In: *Humanum*, Nr 3/2009. Warszawa, 2009. s. 425-432. ISSN 1898-8431.
6. KÁDEKOVÁ, Z. – NEOMÁNI, J.: *Skrytá sila Public Relations*. In *Marketing & Komunikace*. Praha: Česká marketingová spoločnosť, roč. XX., 1/2010. s. 8 – 10. ISSN 1211-5622.
7. KOTLER, P. – ARMSTRONG, G.: *Marketing*. Praha : Grada Publishing, 2004. s. 637 – 640. ISBN 80-247-0513-3.
8. KOTLER, P. – KELLER, K. L. 2007.: *Marketing management*. Praha : Grada Publishing, 2007. 789 s. ISBN 978-80-247-1359-5.
9. *Objem internetovej reklamy v prvom kvartáli 2010*. In [on-line]. [cit. 2010-04-15]. Dostupné na internete:
<http://www.aims.sk/index.php?id=3806>>.
10. PELSMACKER, P. – GEUENS, M. – BERGH, J.V. : *Marketingová komunikace*. Praha: Grada Publishing, a.s., 2003. S. 302-306. ISBN 80-247-0254-1.
11. ŠTEFKO, R.: *Marketingová komunikácia a stratégia dominancie systému public relations podniku*. Bratislava: Bedeker Slovakia s. r. o., 1997. 152 s. ISBN 80-967443-2-1.
12. WHEELLEN, T.L. – HUNGER, J. D.: *Strategic Management and Business Policy*. Addison – Wesley Publishing Company, Massachsetts, 1989. 324 s. ISBN 978-1412952118.

This article is published as one of the outputs by the international research grant “University Role in Regional Development and Knowledge Dissemination” SK-PL-0056-09, by Slovak Research and Development Agency SRDA (APVV) and the Centre of Excellence CEVKOG.

Contacts

PhDr. Radovan Bačík, PhD.

Faculty of management, Department of marketing and International trade

University of Presov in Presov

E-mail: radovanbacik@yahoo.com

PhDr. Jaroslava Gburová
Faculty of management, Department of marketing and International trade
University of Presov in Presov
E-mail: jarkagburova@gmail.com

The Need of Strategic Marketing in Higher Education

Constantin Cristinel

Transilvania University of Brasov, Romania

Abstract

This paper is about the importance of using the tools of strategic marketing by the universities in order to perform in their activities on a very competitive market. Our research has as main objective the evaluation of customer satisfaction at the level of first cycle graduates in economic field. The research was based on qualitative methods, like focus group and projective techniques. Starting from the outcomes of our research, we proposed some strategic directions in order to improve the quality of higher education in economic field.

Key words

Strategic marketing, higher education, marketing research, customer satisfaction, competence, skills.

1. Introduction

Using of strategic marketing in higher education becomes crucial in the new conditions of social development, marked by a high speed of technological changes. Every institution has to evaluate its position on the market and to establish proper strategies for future thriving. In this respect we tried to research some aspects regarding the graduate's satisfaction after the 1st cycle and to analyze the marketing environment for a group of learning programs in economic field. Starting from the outcomes of our research we proposed some strategies that could be put in practice by such an institution.

2. Literature review

A better quality of the higher education is one of the most important objectives of the European Union, stated in the Bologna declaration, which aims to create an European space for higher education, focused on the employability and mobility of citizens and on the increasing the international competitiveness of European higher education [7].

The main objectives of Bologna declaration are as follows:

- Adoption of a system of easily readable and comparable degrees, also through the implementation of the Diploma Supplement;

- Adoption of a system essentially based on two main cycles, undergraduate and graduate. Access to the second cycle shall require successful completion of first cycle studies, lasting a minimum of three years;
- Establishment of a system of credits - such as in the ECTS system - as a proper means of promoting the most widespread student mobility. Credits could also be acquired in non-higher education contexts, including lifelong learning, provided they are recognized by the receiving universities concerned;
- Promotion the mobility of students teachers and researchers by overcoming obstacles to the effective exercise of free movement;
- Promotion of European co-operation in quality assurance with a view to developing comparable criteria and methodologies;
- Promotion of the necessary European dimensions in higher education, particularly with regards to curricular development, inter-institutional co-operation, mobility schemes and integrated programs of study, training and research.

Beyond the Bologna declaration, the new strategy of the European Union, called “EUROPE 2020- A strategy for smart, sustainable and inclusive growth”, aims to help member states to overcome the effect of economic crisis and to improve the level of employment, social cohesion and productivity. Europe 2020 sets out a vision of Europe's social market economy for the 21st century. According to this vision, there are three mutually reinforcing priorities [6]:

- **Smart growth:** developing an economy based on knowledge and innovation.
- **Sustainable growth:** promoting a more resource efficient, greener and more competitive economy.
- **Inclusive growth:** fostering a high-employment economy delivering social and territorial cohesion.

One of the headline targets of this strategy is to obtain a share of early school leavers under 10% and at least 40% of the younger generation should have a tertiary degree. In this context, there is necessary to put in practice specific strategies at the level of every university in order to achieve this objective. Such strategies are mainly related to strategic marketing, which uses proper tools for targeting markets and positioning the offer of higher education institutions on a better place in the mind of the customers.

Strategic marketing defines the organization’s marketing activities within a process that seeks to develop effective responses to a changing business

environment by analyzing markets, segmentation and evaluating competitors' positions [2].

In the new environment of changes in the higher education, the universities' management should focus on strategic marketing orientations in order to establish its strategic directions of development meant to assure the achievement of the long-term objectives. These objectives have to be taking into consideration both in accordance with the EU's strategies and with the university's goals.

In order to succeed in strategic marketing, the universities have to evaluate the environmental changes and their own organizational changes and to propose strategic directions of development on the target markets. This process needs a strong involvement of the management at every level in order to find the best solutions that will be performed for a long run.

3. Problem definition and research objectives

Our research started from a problem identified at the level of students, which are quite confused regarding their status in comparison with the ones that graduated before the implementation of Bologna system. In this confusion they are also not aware regarding the importance of the master studies during the 2nd cycle. Starting from the above mentioned issues we have tried to explain in depth the dimension of the research problem. The main objectives of our research were:

- To find opinions about Bologna system in comparison with the old system.
- To identify graduates' perceptions about the easiness to find a job after the first cycle.
- To find reasons of satisfaction and dissatisfaction according to the competences gained during the first cycle.

4. Research methodology

Trying to find the graduates' perceptions about the Bologna system and their satisfactions and dissatisfactions according to the competences that they have obtained during the first cycle, we conducted three focus-groups and some projective techniques (phrase completion and word association).

Every focus group involved ten persons, graduates from three study programs in economics (marketing, tourism and international business), both male and female. The research designing and data collection were put in practice with the help of master students in marketing. They developed an interview guide used in order to collect data. The named projective techniques

were put in practice during the group meetings. The information have been processed using the content analysis.

5. Research outcomes

Studying the results from the content analysis we have found some common attitudes of graduates. First of all they are unhappy with the new Bologna system, being convinced that the old system was better. They perceive the curriculum as being very general, with few specialty courses that were not enough deepened. They are also unsatisfied that it is necessary to follow master studies in order to complete a university degree.

Another weak point was considered the gap between the theory and real work activities, being necessary to include more hours of practical activities in the curriculum.

Talking about the graduates' perspective to find a workplace after finishing the first cycle, many of the respondents consider that they are not enough prepared for a job, the employers asking often for previous experience. The respondents feel also a threat from the graduates of private own faculties, which are considered with a lower level of competences. In spite of this fact, they sustain that the employers do not make the difference between these two different types of graduates. There is a little contradiction in these opinions because one of them asserts that the employers have high requirements from candidates but on the other hand they accept whatever graduate that have a diploma.

We also conducted two projective techniques regarding the employability of the young graduates of first cycle, based on phrase completion and word association. These ones revealed us that the graduates have often high expectations regarding the potential jobs. They want to find high positions inside companies, with very good wages, being not so available to accept jobs that can help them to put in practice their knowledge and to improve their competences. This gap between the expectations of the employers and employees could generate very strong reasons of dissatisfaction for both parties.

Making a vertical evaluation in the content analysis, we found that there are differences between two major groups of respondents. The graduates with good academic results are generally satisfied with their competences and part of them considered that they did not meet problems to find a good job. On the other hand, graduates with a lower participation to workshops, tutorials, seminars and computer practical activities have certain kinds of dissatisfaction

regarding their competences, considering that the courses are not well focused on the students' needs.

Concluding the outcomes of our research, we can appreciate that there are two major problems that have to be solved in the relationship between our university and students:

- The major issue is regarding to a poor communication with students. The management has to explain the peculiarities of Bologna system, in which the first cycle offers only the competences for execution positions inside companies. Therefore is very important to degree a master program in order to obtain a high level of competences.
- Another problem consists in a poor targeting of market, which allow acceptance of students that are not very interested in academic results but mainly in obtaining a degree. Such students could be always unsatisfied in spite of their lower involvement in personal development. In this respect, the results of the undertaken researches could be affected by systematic errors due to a bad researched population.

Starting from the above mentioned outcomes we made a short analysis of the marketing environment having as principal goal to identify the main market segments and the competition. This market study helped us to conduct a SWOT analysis and to thing proper strategies for further development of our faculty.

6. Strategic approach of academic activity

Starting from the research outcomes we proposed a strategic approach of academic activity in the economic field for Transilvania University of Brasov. We refer in this strategy only to the first cycle according to the Bologna system and subsequently to the second cycle. For this purpose it is vey useful to take into consideration the main market segment in order to find the specific needs of every segment.

6.1. Segmentation and targeting

Based on a short analysis, we can find that the market of a university has a dual character, being composed of two categories of customers: candidates to a degree in economics and business companies interested to find good employees. As the candidates are financing the academic activity, irrespective of the funds' provenience (government allocation or study taxes), these persons represents the primary market of a university. Of course, companies

have also a high importance, because they give the feedback regarding the results of education gained by graduates.

The main segments of primary market are presented in Figure 1.

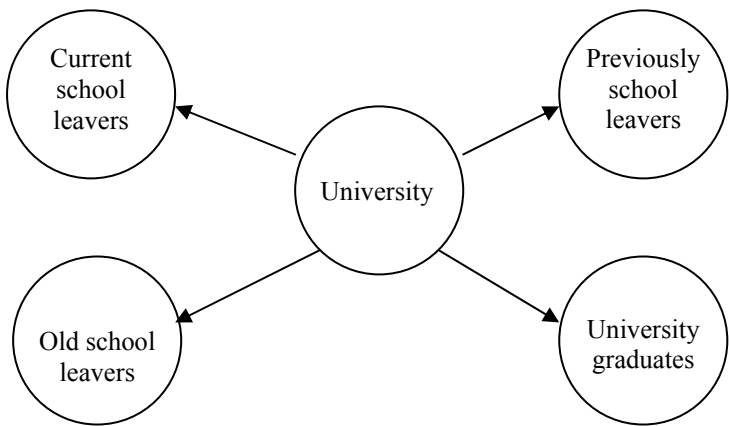


Fig. 1. Segmentation of the market of universities for the first cycle

For every market segment isolated above we can find at least two sub-segments according to their behaviors. One of them contains people interested in a high-quality education that can give strong competences for job performance and another segment focused on receiving a diploma.

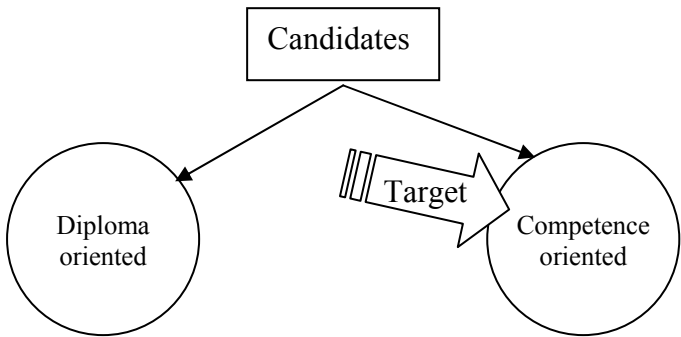


Fig. 2. Segmentation according to members' behaviors

The main characteristics of the two segments are:

Diploma oriented

- Students with low performance
- Want a diploma in any condition
- Disposed to finance the studies from own funds
- Competences are not important

Competence oriented

- Competences are very important
- Interested in high performance
- Oriented to government financing but also disposed to pay
- Ask for quality in education

Taking into consideration the above mentioned characteristics, the target market for a university which promotes the quality in education is the segment oriented towards gaining the best competences for the labor market and/or entrepreneurship (see Fig. 2).

6.2. Competition analysis

In order to analyze the competition on higher education market, we used the five forces model of Porter. According to this one we found that the competitive environment is very fierce, especially in economic field, where a lot of private universities provide educational services. Such an environment is very often dominated by unfair competitive tools, mostly related to the level of study taxes. Thus, many of private universities but also state owned ones target the “diploma oriented” segment and establish low study taxes in order to attract as much candidates as possible. In such a manner the quality in education is put on a secondary place, the quantity being what is matter.

On the other hand, the government, which is the main funds provider, tends to reduce its financing year by year. This behavior generates a higher pressure for universities, which are forced to negotiate with the candidates for reasonable taxes that are able to assure an accepted level of quality in education.

According to Porter’s model the threats that come from substitution products and new entry institutions should be taken into consideration in order to propose the best strategies.

6.3. SWOT analysis

Tacking into account the results of our researches both regarding the opinion of graduates and the peculiarity of the market and competition, we carried out a SWOT analysis of the Faculty of Economic Sciences and Business Administration from Transilvania University of Brasov, Romania.

Table 1. SWOT analysis of Faculty of economic sciences

Strengths <ul style="list-style-type: none"> ➤ Good educational infrastructure ➤ Experienced professors ➤ Good basis of specialty books and articles ➤ Integration the 1st and the 2nd cycles for all study programs ➤ Existence of the 3rd cycle for marketing program ➤ Recognition of education quality from specialized institutions 	Weaknesses <ul style="list-style-type: none"> ➤ Poor communication with students and business companies ➤ Poor financial independence ➤ Not enough own educational spaces and laboratories ➤ Lack of agreements with companies for practical activities of students.
Opportunities <ul style="list-style-type: none"> ➤ Good geographic position ➤ The increasing of customers' exigency. ➤ Business environment asks for stronger competences of graduates 	Threats <ul style="list-style-type: none"> ➤ Decreasing in public financing ➤ Lack of resources due to economic crisis ➤ The number of school leavers in decrease. ➤ Association with poor quality due to a bad targeting of market.

6.4. Strategic directions for future development

Based on the mentioned analyses we can propose some strategic directions for the future development of higher education in economics that can be put in practice by the management of Transilvania University of Brasov.

Table 2. Proposed strategies for Faculty of economic sciences

Marketing mix	Marketing strategies
Product strategies	<ul style="list-style-type: none"> ➤ Continuous improvement of learning programs in order to obtain better competences of the graduates. ➤ Correlate the courses content with the practical requirements on labor market. ➤ Product differentiation according to every market segment requirements.

Distribution strategies	<ul style="list-style-type: none"> ➤ Focus on modern teaching and learning method ➤ Encourage individual and team work ➤ Distance learning and e-learning methods
Price strategy	<ul style="list-style-type: none"> ➤ Focus on quality and prices correlated with quality ➤ Price discounts for social cases
Promotion strategy	<ul style="list-style-type: none"> ➤ Communication focused on the results of learning process (quality, graduates employability, recommendations etc.). ➤ Public relations oriented towards all stakeholders.
Process	<ul style="list-style-type: none"> ➤ Using of relationship marketing tools: <ul style="list-style-type: none"> • Strong relations with students (customers) • Strong relations with business environment • Cooperation with other universities
People	<ul style="list-style-type: none"> ➤ Self – improvement of every person involved in learning activities (staff, lecturers, administrative people) ➤ Special training for lecturers ➤ Research activities
Physical evidence	<ul style="list-style-type: none"> ➤ Improve conditions in classrooms ➤ Using of modern teaching means (computers, multimedia tools, specialized software etc.)

Putting in practice of all these strategies could help the faculty's management to assure the thriving of this institution on a very competitive market, with very special requirements of the customers and with many stakeholders.

Summary

Taking into consideration the above research we can conclude that for every institution involved in higher education it is very important to develop proper strategies using the tools of strategic marketing. Such strategies should be based on solid researches of the customer needs and satisfaction, assessment of internal conditions and evaluation of the marketing environment trends.

Our starting point was a qualitative research that used more techniques to find how the graduates of the first cycle perceive their relationship with the university and how the last one has met their requirements and expectations. The outcomes of this research revealed us a poor understanding of Bologna system's philosophy by the graduates that could generate confusions and reasons of dissatisfaction. These results are due mainly to a poor communication between the faculty and its customers.

The limits of our research consist mainly in its qualitative character. Thus, the results could not be generalized at the level of all graduates, but they could give us a better orientation for future quantitative researches.

From the analysis of competitive environment we have also found that there are many threats that come from behaviors that tend to minimize the importance of graduates' competences and to maximize the importance of takes one's degree in any conditions. Thus, the focus is put on the commercial interest and not on the educational one. Such a behavior is encouraged by all stakeholders: government, institutions involved in quality assessment, universities, employers, students etc.

As the objectives of every university are to obtain a higher level of education and graduate's employability, such institutions must have their own strategic plan for the future. We proposed in this paper a draft of such strategies for learning programs in economic field. We also should mention that these strategies have been proposed only for the first two cycles of higher education, without taking into consideration the lifelong learning and the fundamental research programs.

Bibliography

1. Constantin, C. (2008) - Challenges of distance learning in marketing, published in The proceedings of the sixth international conference "Challenges in the higher education and research in the 21st century", held in Sozopol, Bulgaria.
2. Drummond, G., Ensor, J. (2005) – Introduction to marketing concepts. Elsevier Butterworth – Hainemann.
3. Ispas, A. Constantin, C. Chitu, I. Tecau, A. (2009) - Long life learning in tourism field - a labour market requirement; published in The proceedings of the 4th international conference on Business Excellence, Brasov, Romania.
4. Knight, P.T., Yorke, M. (2003) Assessment, learning and employability, Society for Research in Higher Education and the Open University Press, Maidenhead.
5. Simion, C., Zaharia, S.E., Scarlat, C. (2007), "Continuing training to improve the managerial competences – a labour market requirement", in UNiVersite dans la Societe UNISO 2007, Ed. Niculescu, București.
6. European Commission – EUROPE 2020. A European strategy for smart, sustainable and inclusive growth, 2010
7. <http://ec.europa.eu> – Bologna declaration

Contact

Cristinel Constantin

Colina Universitatii, nr.1, Corp A et. 3, Brasov, Romania.

E-mail: cristinel.constantin@unitbv.ro

The Consumer Value – Interpretation by Marketing and Logistics

Zoltán Domboróczy

Tomori Pál College, Kalocsa, Hungary

Abstract

With the appearing of supply chain viewpoint a new cycle began in the field of logistics and due to that in the leading of firms as well. The interpretation of the outspread logistical supply chain called the attention to the fact that recently the logistical process of the organisations stretch as far as the costumers and end users. Paying attention to the needs of consumers in such a high degree unavoidably demands the closer cooperation of the logistics and marketing. As a matter of fact in the dynamically changing and overstocked markets of recent days the collateral of the companies competitiveness depend on the level of consumer services given by the two areas. The functional isolation characterizing the last period has been replaced by the union of the part strategies in order to reach and keep competitiveness although not in the case of all the business functions but surely the determined areas of the companies' value chain such as production, logistics and marketing.

Key words

Marketing, logistics, supply chain management, consumer satisfaction, buyer service.

The approach of the viewpoints

However in the previous decade instead of the accepted confrontation of marketing and logistics the approach of marketing and logistical viewpoints appeared, moreover there is a perceptible integration between these fields. I think it is the best practice which is exemplary for other functions being in conflict with each other. In my opinion marketing and logistics are ready for the cooperation and full-blooded integration in the field of theory and everyday operation. We can point at supply chain management as a supporter mechanism of the integration, because it has created the base of the cooperation and harmonisation. The substance of supply chain management is an expanded approach, because logistical experts and corporate decision makers nowadays can contemplate out of firm's process only. They recognize that logistical process overhangs the border of the corporate. These overhangs

can be seen in the suppliers (it is in this case retrograde orientation) and trend towards the distributors (and it is a forward orientation). In this sense we can interpret the supply chain management as a system which interlock suppliers, production firms, distributors and customers by material and information flow, and this way has become a new type of management method and viewpoint. The customer is an important link in the system, because these days firms' supply chains trend towards end-users. It brings about that in the field of logistical management we can consider corporate interests, distributors' interests and over that customers' interests more and more. It is a new customer service or service level concept in the supply chain management and it is very similar to the customer relationship in the marketing.

There are several arguments about the primacy of functions between management experts at firms and in the field of science. All the functions can align lot of arguments, which justify its primacy, and the emphasised function enjoys the positive discrimination during the corporate administration and operation. In my opinion to decide this question, we have to go back to the corporate value chain. All organisations, irrespectively of industry and basic activity, the method of making value are the production and service. This is the base, because the production or the service activity can generate value added things with converting inputs into outputs, which deputize a better value level and utility. The usefulness of this accumulation is better than single input element. In the modern, variable, incalculable and increased rival business environment the firm who is only based on production can't survive. If the corporate don't create the conditions of the production the smooth movement is unimaginable, but the constitution of this point beyond production, logistical support is necessary and valid. At the same time the distribution, the promotion and supporting the sale activity require marketing orientation, because the product without marketing isn't marketable in variable markets. The firms can't leave alone their products or services, they have to support them with marketing activity, segmentation, targeting, positioning and product and service design of customer needs. The marketing and mainly one part of the 4P, the distribution however can't fulfil its task, if the distribution logistics infrastructure and organisation aren't in the background. On the whole the trinity of production, supply chain management and marketing are the most important facts of planning and organizing of corporate processes and outputs. Finding each other in this trinity supports the goals' harmonisation. Production, supply chain management and marketing

allocate in parallel ways their goals, they want to catch equal things, but they pick up the payoff from different aspects.

Table 1. The system of aims about corporate part-strategies

The aims of corporate part-strategies		
Production / service	Supply chain / logistics	Marketing
To satisfy the customer with practicability, utility and quality.	To catch a customer service level and minimize absolute cost of logistics.	To suffice the customer's needs in the way that the customer becomes really satisfied.

We can see in the summary table that the production, the supply chain management and the marketing prise the customer satisfaction very important, but they emphasize different motives. Fortunately these diverse motives don't extinguish each other, and what is more these can really integrate the formerly isolated functions by synergy impact.

Let's review these goals and the complex system of aims which proceed from these. The production and service function, fundamentally approaching customer satisfaction from its basic activity. According to the theory of production management the production and service work is fine when the customer is satisfied with practicability, utility and quality. The practicability guarantees the utility and manageability of the product and the quality guarantees the durability and fail-safe work. The goal of logistics or rather supply chain management the roach the customer service level which determined by customers and market specialities. Supply chain management must execute this task by making an effort to get maximal specific effectiveness and minimize absolute cost of logistics too. The aim of marketing is to suffice the customer's needs in the way that the customer becomes really satisfied. There is an important context, that marketing can't fulfil its aim, if the production doesn't "transport" the functional satisfaction. It is impossible if there are practicability or quality problems of the products. The great marketing "guru" Philip Kotler in his book called Marketing Management defines, the product this way:

Product = abstract product + material product + replenish product

In this context the replenish product means forwarding, installation, guarantee, after sale services, etc. We have to emphasize, that the marketing definition of the product points at some coefficients which live in only the customers brain, and these coefficients have logistical feature. Some factors of the replenish product have fully logistical characters, for example forwarding, installation and after sale services. At the same time guarantee has logistical elements too. This viewpoint isn't new in the field of marketing. Theodore Levitt in his essay called The Marketing Mode written in 1962, says that competitive edge isn't between the output products really, but it is between the replenish elements which join the product, for example packing, customer services, advertising, customer consultancy, conditions of payment and forwarding and storage, namely between elements which mean value to customers. Two of them, forwarding conditions and storage absolutely logistical category and packing, customer services and customer consultancy have logistical part-content.

Summary

From these we can deduct, that marketing can't fulfil its goals, if the logistical customer service doesn't work in a good level and quality. Production, marketing and supply chain management are able to accomplish the customer's expectations only in synthesis and this is the assumption of repeated purchase. On this base a profitable and long-term course of business can be made, which is wishful for every corporation. In the everyday operation another function is also necessary it is an integrated computer supported corporation leading system. From the corporation leading system both functions can get up-to-date information to their own decisions. In this system every function, work pad and user are able to come at the connecting information, create and this way the base of synergetic movement.

The interpretation of the outspread logistical supply chain called the attention to the fact that recently the logistical process of the organisations stretch as far as the costumers and end users. Paying attention to the needs of customers in such a high degree unavoidably demands the closer cooperation of the logistics and marketing. As a matter of fact in the dynamically changing and overstocked markets of recent days the collateral of the companies competitiveness depend on the level of customer services given by the two areas. Nowadays the management of customer service tasks has become a very important function, because this is the real battlefield of business.

Bibliography

1. BÁTHY, SÁNDOR (2007) A civil és katonai ellátási lánc (azonosságok és különbségek), Katonai Logisztika, pp. 191-203
2. HORVÁTH, ATTILA (2008) Az anyagáramlással összefüggő logisztikai folyamatok terrorfenyegetettségének jellemzői, Tomori Pál Főiskola Tudományos Mozaik, pp. 201-209.
3. HORVÁTH, ATTILA (2007) Relationships of Sustainability, Climate Change, and Security Policy. Review of the Air Force Academy The Scientific Informative Review. Brasov, Romania. No 2/2007. Number of ISSN 1842 - 9238, pp. 65-68
4. HORVÁTH ATTILA (2000.) Vélemény Szabó Mihály "Új szttartomány a "logisztika" című cikkéhez. Nemzetvédelmi Egyetemi Közlemények a Zrínyi Miklós Nemzetvédelmi Egyetem Tudományos Lapja. Budapest, 2000/2. szám, pp. 262-272.
5. JÁSZAY BÉLA (2005) A gazdasági ismeretek és gondolkodás fejlesztésének szükségessége, ZMNE-MHTT, Budapest, pp. 5-8.
6. KOTLER, PHILIP (1991) Marketing menedzsment, Műszaki könyvkiadó, Budapest
8. SUHÁNYI LADISLAV (2008): European indicators of sustainable development (European common indicators). Friedrich Ebert Stiftung. Bratislava. ISBN 978-80-89149-13-1.
7. SZEGEDI ZOLTÁN – PREZENSZKI JÓZSEF Logisztikai menedzsment, Kossuth Kiadó, Budapest

Contact

Zoltán Domboróczky
Tomori Pál College in Kalocsa
Department of Marketing and Management
6300 Kalocsa, Szt. István király u. 2-4., Hungary
E-mail: domboroczky.zoltan@tpfk.hu

Use of the Internet in Marketing Communications

Jaroslava Gburová – Ľubomír Karas

University of Prešov in Prešov, Faculty of Management

Abstract

New technologies offer new ways of marketing communication. The aim of the article is to highlight the new forms of marketing communication at the Internet, as well as briefly describe the most commonly used forms of Internet marketing.

Key words

Marketing Communications, Internet, Marketing, Internet marketing.

Introduction

Thanks to advances in information and communication technologies communication is not only in terms of media and marketing, but also more generally in constant evolution. The current form of marketing communication two main factors change. The first factor is that marketers move away from mass marketing following the fragmentation of mass markets. They prepare narrow defined marketing programs designed to build closer relationships with customers in narrow defined micro markets. The second factor is that the huge advances in information technology accelerate the transition into the segmented marketing. Current information technology (the Internet is a vast public network of computer networks that allows users worldwide communication and access to extensive sources of information) help marketers close attention to its customers and have access to more information about the customer rather at the level of individuals and households [8].

New technologies also offer new ways of communication to reach the smaller customer segments with better conditioned communication. With regard to the communication environment marketers have to review the role of various media tools and communication mix. The contribution of this article is to highlight the new forms of marketing communication on the Internet, and briefly describe the most commonly used forms of internet marketing in Slovakia, as well as globally.

The most commonly used forms of internet marketing in Slovakia and in the world

Current media like TV, radio, billboards, according to many marketing professionals are no longer sufficient to address future customers. Professionals express their belief that it is reasonable to continue to use them and add to them new medium as well. The Internet is not only an additional medium. Internet is integrating item of all media such as radio, television, newspapers, mobile phones and computers. The benefits of internet are huge and other media can not compete with it in any way. Marketing communication through computers brings new opportunities for both large and smaller companies. Reduces cost of product sales and promotion. Accelerating and expanding communication possibilities, but mainly leads to the formation of lasting relationships and links between dealer and customer for the full satisfaction of individual needs [4].

Internet marketing is a quality addition to the content of websites and web design key part of the Web strategy. Advertising on the Internet (Internet marketing) is unlike other forms of advertising and has three major advantages: targeting, and precise measurement of speed. Thanks to the internet marketing can be very efficient [3].

Placement of advertising and sales promotion online

Each company must decide what forms of Web ads in order to achieve cost effective goals [9]. The most commonly forms used for advertising on the Internet is **banner advertising**, i.e. banner, a banner strip, which appears at intervals on the desktop. The prospective client, respectively customer decide by himself whether to view the banner ad, or, if it is not currently interested in, click on the banner cross to close it [10].

Contemporary users are already accustomed to banners and ceased to react. The banner creators react to that fact by making aggressive forms of banners such as half-truths banner, a banner covering the content of the site and so on. These practices can increase the momentary effectiveness of banners but on users they react mostly negative.

The banner ads may be, for example:

- attract new visitors,
- increase traffic of web site,
- increase brand awareness,
- distinguish the brand from the competition,
- promotion of new brands,
- notification of new product,
- a change in brand image [1].

Microsite is limited space on the web, which is managed and funded by an external company. Microsite is particularly relevant for companies selling products on which interest is low, such as insurance. People rarely visited site insurance. Therefore, insurance companies generate microsite and placed them on the site selling used vehicles. Microsite gives buyers of used cars advice and offers favorable terms and conditions [9].

PR Articles

It is kind of ad text, which has nothing to do with search engines and keywords. It is advertisement with PR articles, sponsored articles; which means that publishing of these articles is paid by the client. This type of advertising is suitable for all products and services because it is not so user-aggressive than banner ads.

Portal visitors perceive this ad with greater sense of trust because it is promoted mostly as an article. The creation of sections for the client, in which he published various articles and reviews on their products and services, is included in this type of advertising. This section can also serve as an advisory service for the users and thus the sponsor can gently raise its brand and quality of the products and services. This type of advertising is not as banner ads, where it targeted and released a number of impressions, here it must consistently take practice and prepare the necessary things to run and also continuously respond to complaints from customers [11].

Promotional articles provide the following benefits:

1. Articles can be informative, evocative, tender etc.
2. Advertising articles can be set to include many keywords related to issue.
3. PR articles contain a lot of text with keywords focusing just on the issue we want to promote. It means that when a visitor enters the keywords into search engine it is highly likelihood that it displays specific PR article.
4. Advertising articles remain long time in the same place. PR articles are never deleted from the archive, and thus they are available to the public for many years.
5. PR article can be added by pictures of offered products or extended by video presentation.
6. Article advertising is closely related with the offered services or products, this means that if a reader reads the promotional article it is a high probability that he will have an interest in the goods or service [12].

Pay-per-click advertising or PPC

It is one of the fastest and most effective ways to get targeted web site visitors and potential customers. The advantage of pay-per-click advertising is:

- The possibility of its precise targeting. This makes it possible to display ads only to users who search on the Internet particular advertised products or services.
- The advertiser pays for advertising only at the moment when it responded - that is the moment when the user clicked on it. In PPC advertisement it does not pay for displaying of the advertisement, but it pays for real visitors who came through advertisement on the defined page.
- The advantage of PPC advertising is a response within a few minutes after its launch [13].

WAP marketing

The term "WAP marketing" means any marketing activities carried out by simplified pages on the mobile phone displays. The environment did not create, especially in our country, the appropriate conditions for a significant development, that's why the activities in this area occur only sporadically. Business WAP pages are analogous to traditional web pages and serve mainly as a mean of contact with customer. They usually contain the items of current Internet pages - basic information about the company or contacts. On the WAP it should be placed mainly informations which customer can use directly in the field, because that time he is unable to search it through the computer. Such information is an opening hours, better description of the company headquarters, map and so on. While web sites have become common for the companies, WAP sites have a few firms. The most developed business WAP sites are portals of mobile operators. They are the basic channel of mobile content distribution, therefore it is paid an increased attention on them. These portals are demonstration of what can be placed to your simplified web sites if it is enough available investment funds. Operator portal offers various lines on brand, mobile-specific external sites and simplifies user navigation. It is the trend to mobile surf out of the operator portal. "Off-portal" sites are becoming an important destination for mobile web browsing on sites like Yahoo!, Facebook, BBC and Sky, which offers mobile experience on the personalized sites [7].

Email newsletter

Email newsletter is the best way to build relationships with customers, which is directly reflected in sales volumes. The basis of success is to inform

the customers with abandoning well-targeted offer. Email marketing newsletter is a unique form of communication with customers, which is the basis for building long-term mutually beneficial relationship with the client. The developing of this relationship is made by sending various newsletters, promotional offers, interesting product innovations etc. The transmission of these news or e-mail newsletters are performed on the basis of pre-defined list of recipients who agreed with newsletter and meet the target group for which this newsletter is intended. The secret of success of effective newsletter is to combine the useful content with an attractive and interactive design for customer. It is also necessary to ensure the measurement of effectiveness of this campaign, through statistical tools such as Google analytics [2].

You Tube web server

You tube is originally an American server designed for videos sharing. The content that can be found on this site is really rich. Every user can upload any videos that infringe the rule and share it with the other users. Most of the content at Youtube.com consists of short films, music clips, video snippets of the games or movies which are uploaded by ordinary users. Media companies, politicians or political parties create their own channels on Youtube lately. You Tube is turn out to be a convenient channel of marketing communication, especially for politicians, political parties, successful athletes and so on [6].

Summary

Internet is a great tool for moving from mass marketing to segmented marketing. It also provides such possibilities of marketing communications which other media can not. This tool is necessary for companies of all sizes around the world and in Slovakia in finding and exploiting new forms of marketing communication.

Bibliography

1. *Bannerová reklama*. In [on-line]. [cit. 2010-04-12]. Dostupné na internete: <<http://www.mcpssoftworks.com/sluzby/pay-per-click-a-reklama-na-portaloch/bannerova-reklama/>>.
2. *eMail Newsletters – Direct Mailing*. In [on-line]. [cit. 2010-05-16]. Dostupné na internete: <http://www.ui42.sk/internet-marketing-seo-sem/email-newsletters-direct-mailing.html?page_id=1284>.
3. *E-marketing*. In [on-line]. [cit. 2010-05-06]. Dostupné na internete: <<http://www.wms.sk/sluzby/e-marketing>>.
4. GUŤAN, D. 2008. Prezentácia na internete ako nástroj PR. In *Zborník z medzinárodnej vedeckej konferencie „Nové trendy v marketingovej*

- komunikácii*“. Trnava : Fakulta masmediálnej komunikácie Univerzity sv. Cyrila a Metoda v Trnave, 2008. ISBN 978-80-8105-090-0, s. 90 – 91.
5. HLAVENKA, J. 2001. *Internetový marketing*. Praha : Computer Press, 2001. ISBN 80-7226-498-2.
 6. *Internetový server You tube*. In [on-line]. [cit. 2010-04-25]. Dostupné na internete: < www.you-tube-com.cz>.
 7. *Komunikujme výhodnejšie: Alternatívne cez WAP*. In [on-line]. [cit. 2010-06-12]. Dostupné na internete:<<http://www.mobilmania.sk/clanky/komunikujeme-vyhodnejšie-alternatívne-cez-wap/sc-3-a-107909/default.aspx>>.
 8. KOTLER, P. – ARMSTRONG, G. 2004. *Marketing*. Praha : Grada Publishing, 2004. s. 55 – 59. ISBN 80-247-0513-3.
 9. KOTLER, P. – KELLER, K. L. 2007. *Marketing management*. Praha : Grada Publishing, 2007. 789 s. ISBN 978-80-247-1359-5.
 10. MOROVSKÁ, I. 2008. Marketing a internet – reklama na internete. In *Zborník z medzinárodnej vedeckej konferencie „Nové trendy v marketingovej komunikácii*“. Trnava : Fakulta masmediálnej komunikácie Univerzity sv. Cyrila a Metoda v Trnave, 2008. s. 238. ISBN 978-80-8105-090-0.
 11. *PR články*. In [on-line]. [cit. 2010-05-25]. Dostupné na internete: < <http://www.webway.sk/pr-clanky>>.
 12. *PR články*. In [on-line]. [cit. 2010-05-25]. Dostupné na internete: <<http://www.mcpssoftworks.com/sluzby/pay-per-click-a-reklama-na-portaloch/pr-clanky/>>.
 13. *Reklama vo vyhľadávačoch*. In [on-line]. [cit. 2010-05-25]. Dostupné na internete: <<http://www.krea.sk/sluzby/ppc/>>.

This article is published as one of the outputs by the international research grant “University Role in Regional Development and Knowledge Dissemination” SK-PL-0056-09, by Slovak Research and Development Agency SRDA (APVV) and the Centre of Excellence CEVKOG.

Contacts

PhDr. Jaroslava Gburová
Faculty of Management
Department of Marketing and International trade
University of Presov in Presov
E-mail: jarkagburova@gmail.com

Ing. Ľubomír Karas, PhD.
Faculty of Management
Department of Marketing and International trade
University of Presov in Presov
E-mail: lkaras@pobox.sk

Mass Media and Marketing Communications Tools

Jaroslava Gburová – Ivana Morovská

University of Prešov in Prešov, Faculty of Management

Abstract

Current global trends and changes in the marketing needs and bring new practices in marketing communications. A significant increase in competition in almost every sector, high saturation of markets in business, communications or messages of satiety present new challenges and approaches to create effective business communications market. Largely launched new marketing trends are the development of IT. Increasingly, the use of the Internet as a marketing medium increasing and utilized in various areas of business. Aim of this contribution is to describe the current situation in the use of media resources and their annual progress and the available data, to assess the current analysis and highlight the growth and decrease expenses Slovak and foreign companies in the media during the same time, the prevailing economic crisis.

Key words

mass media, media, advertising, internet, marketing communications

Introduction

Developments in technology now moving at high speed, the old are quickly replaced with new and emerging rapidly aging. With the development of market economy, many companies still feel the need to better inform the general public about their products and services. They realize that communication activities bring with them changes in customers' access to the company when its products, increase brand loyalty and not least, helping to increase turnover. The business sector is a good source of medium for the dissemination of corporate information, and thus an appropriate tool to build a corporate identity which is not least due to increased demand for products and services and would result in higher revenues. The specific form of communication of your product to the client for an organization chooses to whether the intent to cause the service or product the best impression in the target group of customers. In terms of economic development of most economies in the world media in recent decades become an important and indispensable tool for marketing policies of individual companies and

institutions. According to marketing theory, every modern organization should have a comprehensive marketing communications system that makes it possible to successfully achieve the objectives of the marketing and use of major types of media in order to take potential customers and differentiate from the competition. [2]

Results and discussion

1. Media as a factor now

The presence of the media today and their impact on our lives is the fact that it is now undeniable. Whether we like it or not, whether you admit it or not, the media affect us both positively and negatively both. Their priority is to inform, evaluate, analyze, criticize, have fun. Form processing and reporting depends both have processed the event and also the medium and specific forms of treatment. The oldest form of information to the press, print media. Specifically, it deals with journalism. Journalism is a specific kind of spirituality - the practical work, which aims to search for, collect, sort and process information on current social phenomena of interest at regular intervals to create journalistic units and the propagation and extension of influence leads readers, listeners and viewers. This definition implies that the role of journalist, the process of searching, processing up to Bring news. The presence of journalists is a matter of course and in organizing these conferences. In addition, journalists are, of course, also present editors of television and radio.

There is now, as opposed to prints, reinforced the work of media workers and vice versa, "relieved" activity of listeners and viewers. While there is a newspaper images in the minimum volume and is almost necessary imagination reader, listener offers auditory processing and even the viewer visually. His imagination is not engaged in so far as to reading experience, the media offered him the finished product. [4]

2. Media as an important factor in the process of transfer

The credibility of information source is evaluated by various characters. Most importantly, if communicators attach sufficient credibility and expertise. The percipient more active in the presentation of a product man who understands his craft, respectively. it can be too old or otherwise identify. This is true even for persons presenting through the media. Human psyche is set so that these people are our kind of models or idols, the facts themselves can never reach, but nevertheless desire to bring them, or at least they know because of concern for them as individuals or people affecting the our lives.

Well, just us in the media board help, because they have power, which makes us able to soak directly into the action. [3]

3. The media environment in the Slovak

Stagnation or slight decline in the advertising market in recent years have prompted increased interest in the field of advertising and marketing is also reflected in the structure itself, in our media mix. A comparative analysis showed that the most significant to the media participated in an awkward position, the television market, which decreased by about 8%. Radio market also declined, but only 3%. Interestingly a significant increase in the printing segment, in which the volume of the monitoring of advertising in newspapers increased by 24% and 13% of the weeklies. The increase in advertising expenditure is estimated at 6-7%, indicating a strengthening of the press throughout the media mix. [2]

Based on the results published by the Agency TNS SK we assess that the advertising costs are recorded in the second quarter of 2009 marked a decline from 2008, an increase and a decrease in advertising expenses can also be seen on the graph. 1st Data in the table are in millions. Sk / thous. euro. Data of 2009 are converted at the conversion rate 1 EUR = 30.126 SKK

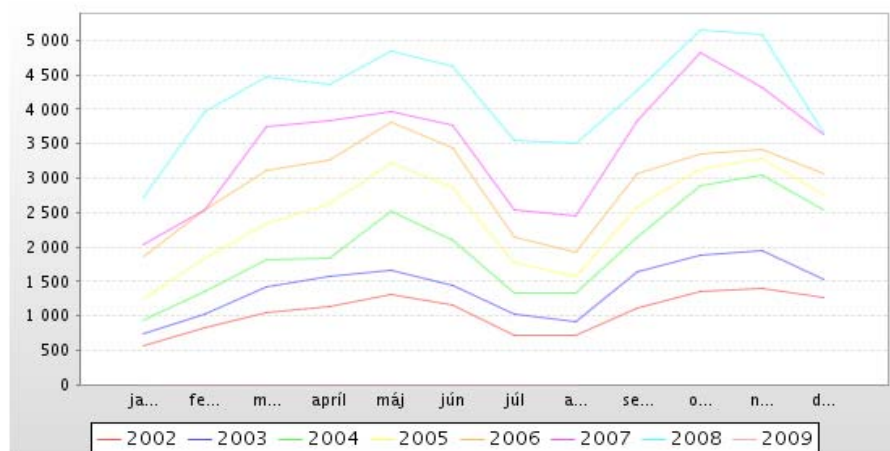
Table 1: Advertising expenditure for the years 2002 – 2009 Slovakia

Expenditure on advertising 2002 – 2009 (VIII.)								
month	2002	2003	2004	2005	2006	2007	2008	2009
January	574,6	746,4	948,9	1 237,5	1 859,5	2 025,7	2 714,8	48703,7 (1467,2 eur)
February	832,7	1 036,3	1 347,6	1 842,7	2 542,2	2 543,7	3 957,3	2179,7 (72352,8 eur)
March	1 060,0	1 422,1	1 808,0	2 352,1	3 103,9	3 745,3	4 475,7	2729,9 (90617,2 eur)
April	1 130,1	1 567,8	1 835,4	2 617,5	3 272,7	3 833,2	4 354,8	976,3 (98793,7 eur)
May	1 311,1	1 666,6	2 520,3	3 221,9	3 802,4	3 957,5	4 845,9	3057,9 (101505,1 eur)
June	1 155,5	1 443,1	2 111,7	2 859,2	3 443,5	3 761,1	4 612,0	719,0 (90254,8 eur)

July	722,4	1 020,0	1 338,8	1 777,0	2 137,3	2 539,1	3 537,9	1885,7 (62595,2 eur)
August	718,4	928,3	1 326,8	1 579,8	1 928,3	2 442,1	3 504,8	1756,3 (58297,5 eur)
Septemb.	1 110,4	1 631,4	2 136,2	2 594,1	3 068,7	3 831,1	4 273,7	
October	1 364,8	1 888,7	2 895,0	3 122,6	3 352,0	4 811,1	5 142,0	
Novemb.	1 405,0	1 946,2	3 051,6	3 293,6	3 423,8	4 318,4	5 090,7	
Decemb.	1 264,8	1 532,1	2 534,8	2 765,9	3 061,0	3 631,0	3 656,7	

Source: TNS SK, 2003-2009

Fig. 1: Graphical representation of the advertising expenditure for the years 2002 to 2009 Slovakia



Source: TNS SK, 2003-2009

On the basis of Table 1 we can evaluate the expenditure on advertising since February 2009 a significant decrease compared with 2008. Expenditure in August 2009, almost half the expenditure is lower than in August 2008. Figure 1, we can more clearly see the increase and decrease in expenditure for each year that are listed in Table 1.

Table 2: Best of designing advertising Slovakia

	Manu- facturer	TV	Radio	Maga- zines	News- paper	Out-of- Home	Toget- herV/2009 (eur)	Sha- re in the ra- ting %	Grow th (%) *
1.	Orange Slova- kia	2 638 641	99 143	242 730	169 534	634 552	3 845 763	11,5	-29,8
2.	Procter & Gamble	3 584 251	0	8 400	0	0	3 592 651	10,7	-44,0
3.	Reckitt Benckiser	2 588 119	0	1 460	0	16 961	2 606 540	7,8	-44,4
4.	T Mobil Slova- kia	1 866 211	172 159	118 264	62 545	268 427	2 491 978	7,4	-73,8
5.	Henkel Slova- kia	2 155 913	0	53 057	0	14 250	2 223 266	6,6	-46,9
6.	Unilever Slova- kia	2 146 066	0	5 112	0	0	2 161 178	6,4	-37,6
7.	Coty SR	1 398 482	0	0	0	0	1 398 482	4,2	-40,9
8.	T-Com	988 474	31 590	60 679	33 391	115 791	1 229 925	3,7	-20,7
9.	Sloven- ská športel'ňa	1 105 556	0	18 629	10 473	6 508	1 141 166	3,4	11,1
10.	Nestlé Slova- kia	981 340	0	65 177	0	3 320	1 049 837	3,1	-37,7

Source: www.strategia.sk

* Is the indicative increase, respectively, decline in ad volume compared with the same period last year. Data are presented in euro.

Table 3: Top ten advertising in the world of Contracting

Rank	Company	Jan-June 2009 (Millions)	Jan-June 2008 (Millions)	% Change
1	Verizon Communications Inc	\$1,188.4	\$1,152.6	3.1%
2	Procter & Gamble Co	\$1,178.4	\$1,472.9	-20.0%
3	AT&T Inc	\$976.8	\$919.3	6.3%
4	Johnson & Johnson	\$805.9	\$683.1	18.0%
5	General Motors Corp	\$773.1	\$1,043.5	-25.9%
6	News Corp	\$672.3	\$722.4	-6.9%
7	Sprint Nextel Corp	\$631.1	\$406.5	55.3%
8	Time Warner Inc	\$574.3	\$645.7	-11.1%
9	General Electric Co	\$548.3	\$521.5	5.1%
10	Walt Disney Co	\$517.6	\$585.9	-11.7%
	Total	\$7,866.4	\$8,153.3	-3.5%

Source: www.tns-mi.com

Table 3 lists the top 10 foreign promoter's ads that regularly leave a foreign firm TNS Media. The table below shows amounts of financial capital invested in the advertising business, also the percentage increase respectively. Loss of funds invested in advertising. According to the list of Top 10 in the first quarter of 2009 spent together 7,866.4 million dollars on advertising, compared to 2008, a decrease of 3.5 percent. The first rung on the ladder company Version Communications, which pushed from the first position of Procter & Gamble is in the top 10 of the fittings, which were reported in fall 2009, but an increase of 3.1%. In second place came the company Procter & Gamble, where spending on advertising decreased by up to 20%. The highest budget increase in the top 10, the company Sprint Nextel Corp., about 55.3%. By contrast the largest deficit reduction in the top 10 with reduced spending by 25.9% is the only car manufacturer in the list, and General Motors. The media companies located in the top 10 achieved growth (and by 5.1%) of the General Electric Company. Other companies in this category of News Corp., Time Warner and Walt Disney end the fall semester of advertising expenditure.

Examples of ad volumes in the two media types in the SR:

Table 4: Volumes in television ads for each year of the SR

Name	V/2009	V/2008	I-V/2009	Growth in %
TV Markíza	45 772 045	76 294 973	173 152 355	-44,23
TV JOJ	21 577 339	43 084 636	87 280 951	-54,26
STV 1	2 705 942	7 398 878	66 263 991	93,48
TA3	1 233 794	1 709 339	4 452 770	-30,72
Spectrum	550 151	-	687 933	-
STV 2	246 347	1 115 087	1 589 025	-
STV 3	33 620	-	575 162	-
Total TV	101 505 054	129 602 912	308 486 071	- 43,39

Source: www.strategie.sk

Table 5: Volumes in radio ads for each year of the SR

Name	V/2009	V/2008	I-V/2009	Y/Y v %
Radio Expres	1 850 457	3 009 701	8 993 75	-26,60
Radio Viva	1 260 596	1 142 060	5 231 351	4,56
Fun Radio	1 241 239	1 331 941	6 210 757	49,69
Radio Slovensko	985 646	1 033 242	5 125 825	19,05
Jemné Melódie	624 012	-	-	-
Radio Okey	512 115	331 043	2 396 263	79,53
Radio FM	78 368	134 827	214 33	- 65,77
Total Radio	6 635 415	6 982 814	30 778 226	13,01

Source: www.strategie.sk

The most significant increase in advertising expenditure in the Slovak media market, TV Markíza issues, while expenditures are growing every year, and radio is radio Expres.

Based on research conducted in Slovakia and abroad, we can conclude that the economic crisis in 2009 affected, the promoters advertising in the media. For these studies it is clear that companies not only in Slovakia but also abroad in 2009 to invest less money in advertising than in previous years.

In times of crisis, some of the brands and sectors affected by the market perception of the crisis as an opportunity to gain market share. Even the advertising industry understands that this is a period of innovation and efforts

to re-start through the advent of new technologies and such other instruments, such as direct advertising because it is the first step toward integrating advertising measurement in a uniform manner for all media. [6]

Key changes in the advertising market in 2009:

- even after the crisis, the advertising market is likely to return to the level of the period 2007 - 2008,
- gradual alignment of seasonality - for effectiveness by designing more and more invested in the periods that previously were not so attractive,
- to price pressure and reduced consumption of FMCG decline even further the importance of SR in the region of large buyers, who will more effectively support the larger markets, the decrease in II. half will be stronger than I. half.

Summary

The current situation in the Slovak media scene bears all the characteristics of a dynamically growing market segment. While the evolution of the volume of the media market may continue to stagnate, grow or decline, its structure has all the prerequisites to develop a much more diverse. Structure of the media market is based on objective (media innovation, creating new segments, consumer behavior consumer media) and subjective (proprietary relations, non-transparent ownership structures, different levels of professional managers and media owners) factors. [2]

The basic attributes and the existence of organizations in a market-oriented, democratic economies, therefore, is a marketing management concept and a set of activities, which are known as marketing. Its current form presents the most advanced way of managing, entrepreneurial thinking and acting in a competitive environment. [1]

We found that expenditure on advertising and the media generally in different years to accumulate, but the impact of economic crisis, the situation has somewhat changed, noticed a decline in investment, ie advertisers invest a little less. Therefore, the future will be increasingly necessary to invest in innovation and IT technologies.

Bibliography

1. BUTORACOVÁ ŠINDLERYOVÁ, I. - GBUROVÁ, J. - MOROVSKÁ, I. 2009. Marketingová komunikácia – prípadové štúdie. Učebné texty. Prešov : Prešovská univerzita v Prešove, Fakulta manažmentu, 2009. s. 86. ISBN 978-80-555-0011-9.

2. FERENCOVÁ, M. – BUTORACOVÁ ŠINDLERYOVÁ, I. 2009. *Marketingová komunikácia*. Prešov : Prešovská univerzita v Prešove, 2009. s. 120-129. ISBN 978-80-555-0013-3.
3. KOMÁRKOVÁ, R. - VYSEKALOVÁ, J. 2002. *Psychologie reklamy*. Grada Publishing, 2002. s. 264. ISBN 80-247-0402-1.
4. SLANČOVÁ, D. 1996. *Praktická štylistika*. SLOVACONTACT, Prešov, 1996. s. 173. ISBN 80-901417-9-X.
5. *TNS Media Intelligence Reports U.S. Advertising Expenditures Declined 14.3 Percent in First Half 2009*. In [on-line]. [cit. 2009-09-16]. Dostupné na internete: <<http://www.tns-mi.com/news/09162009.htm>>.
6. *V USA poklesli reklamné výdavky za prvý kvartál 2009 o 14,2%*. In [on-line]. [cit. 2009-10-12]. Dostupné na internete: <http://www.tns-global.sk/docs/TS0916_adex_USA.pdf>.
7. *Zadávatelia reklamy*. In [on-line]. [cit. 2009-12-18]. Dostupné na internete: <http://www.strategie.sk/sk/reklama/data/marketing/top_zadavatelja/>.
8. www.statistics.sk

Contacts

PhDr. Jaroslava Gburová
 Faculty of Management
 Department of marketing and International trade
 University of Presov in Presov
 E-mail: jarkagburova@gmail.com

PhDr. Ivana Morovská
 Faculty of Management
 Department of marketing and International trade
 University of Presov in Presov
 E-mail: morovskaivana@gmail.com

Marketing Communication in the European Union

Miriám Horváthová

University of Prešov in Prešov, Faculty of Management

Abstract

The present is characterized and significantly influenced by globalization process and ingoing information and communication technologies. SR entry into EU and acceptance of common currency has opened international market to our companies even more. Entry to these markets is examination of marketing abilities of the company that has to adapt its marketing approach at domestic environment to conditions of the target market. Article presents one of marketing tools—communication mix—and differences of its application at international range, mainly at environment of large European market that have been created by expanding membership at EU. Marketing communication has wider meaning; it doesn't represent only promotion or advertising. At international conception it has to result from acceptance of national cultures and differences, it proceeds at environment that has different conditions, whether they are political or legal, economical, geographical or technological and last but not least demographical.

Key words

marketing, marketing communication, advertising and children

Introduction and problem formulation

European Union is the union of 27 European countries. It covers the area of more than four milion km². This represents nearly two fifths of the area of the United States of America, however, the number of its inhabitants, i.e. more than 500 million is larger by 57 per cent. As concerns the number of inhabitants, European Union is basically the third in the world after China and India. In European Union, 23 official languages are in use. This means 506 possible translation combinations. Of these, three languages are working ones. Thus it makes a large European market.

It is the objective of this short study to bring closer one of the marketing mix tools - i.e. communication mix in the international setting as well as its impact upon children in the field of advertising. This means that the communication, also marketing one, proceeds in a setting influenced by both national cultures and dissimilarities in particular European countries. In an internatio-

nal concept it must be based on their acceptance, it proceeds in a setting having different conditions. In this setting, the communication process is much more complicated and more difficult than it is in an in-state setting of the particular country for it is influenced by the following factors:

- demographic and language differences
- economic differences
- social and cultural differences
- political and legislation differences
- geographical and technological differences as well as
- differences in competition. (Matúš, Čábyová, Ďurková, 2008, p. 269)

As compared to other elements of classical marketing mix, the most important advancement occurs in the field of communication. It is connected with the development of information and communication technologies. Here the question is relevant of the effectiveness of classical communication tools in marketing. The purchasing public are overloaded with information and therefore various tendencies begin to be supported, e.g. an individual approach to the customers or respecting the cultural aspect of communication. (Škorvagová, Zorkóciová, 2009)

International marketing

According to American marketing association the definition of marketing is the following: „Marketing is one of the activities to be performed by organizations as well as the complex of processes in order to make, mediate and provide an offer having a value for customers, clients, partners, and society.“ (Škorvagová, Zorkóciová, 2009, p.13)

According to Škorvagová, Zorkóciová (2009) there is an only difference between the definition of Slovak and international marketing in the parameters of the environs, because international marketing operations are more complex and more diverse. The above authors present characteristic features of both in-state and international activities in the Table on page 14 in their publication Perspectives of the international marketing development as follows:

Table 1: Charakteristic features of both in-state and international activities

ACTIVITIES ON SLOVAK MARKET	ACTIVITIES ON MARKETS ABROAD
The same language and culture	Multi-lingual, multi-national, multi-cultural setting
Relatively homogenous market	Fragmented and different markets
Easier data obtaining, unified statistical presenting	More demanding data gathering from budgetary viewpoint, problem of obtaining relevant data
Relative insignificance of the factors of political background	Factors of political background are often decisive for business activities of a subject from abroad
Relative independence of business activities from governmental interferences	The government often influences business decision-making
Particular companies have relatively small influence on the setting	„Distortion“ of the setting by big corporations
Relatively stable corporate environment	A number of settings, many of them unstable ones (however, potentially profitable)
Unified financial climate	Different financial climates, from very conservative to highly inflationary ones
One currency	A number of currencies with different stability and value
Business customs and usages to be understandable for subjects are in use	The business rules vary, often change and are unclear
In general, the management bears with the responsibility jointly	The management is often autonomous

Source: Škorvagová, Zorkóciová, 2009, p.14

According to Foret, the term international marketing may evoke a wrong idea in us that territorially distinct marketings exist, e.g. Slovak, German, Austrian etc. Marketing is only one, however, the conditions of its application on various markets are different. Thus the international marketing repre-

sents the adaptation of our marketing approach to the particular conditions of target market. In this case, the markets of particular countries are really different. This is why it is good to perceive the international marketing particularly as the marketing on foreign markets. (Foret, Procházka, Vaculík, Kopřivová, Foret, 2001)

To achieve the goals on a target market, the firm is using a series of marketing tools to be called marketing mix. In the year 1964, N. Borden has worked out the concept of marketing mix. This term includes its four essential tools, namely: product, price, distribution, and marketing communication. Whatever to be offered on a market in order to satisfy the requirements is a product. The price represents a value that the consumers are willing to pay for a product. By the distribution, the product or service will come closer to the customer and the marketing communication makes a positive image of the product and at the same time propagates it. (Kita et al., 2002)

Philip Kotler and Kevin Lane Keller (2007) state that present-day marketing is demanding more than making of a good product, fixing of an attractive price and making it allowable on the market. The firms must communicate with present-day as well as potential concerned groups (stakeholders) and with public. It is no problem for most of them to communicate, however the problem is whether the communication can say something, how to say it, to whom and how frequently to say it. Thus the **marketing communication** marks all the means by which the firms are striving to both inform and persuade the consumers, to remind them – either directly or indirectly – of the products and signs to be sold by them. It has a lot of functions for consumers. Through it the customers can learn who is producing the product, why and how it is in use, it enables to companies to connect its signs with other people, places, actions, signs, experiences, feelings, and things. According to above authors, marketing communication mix consists of the main ways of communication as follows:

1. Advertising is any paid form of impersonal presentation and propagation of ideas, goods or services by an identifiable subject.
2. Sales support represents various short-time stimuli challenging to the trying and/or buying of a particular product or service.
3. Both events and experiences prove to be the activities and programmes funded by companies and their purpose is to make everyday or special interactions to be connected with the sign.
4. Public relations and publicity is the production of various programmes in order to propagate or protect the image of a company or of its particular products.

5. Direct marketing is using mail, telephone, e-mail, fax or internet for a direct communication or for evocation of a response and/or dialogue with specific and potential customers.
6. Personal selling, i.e. personal interaction with one or more potential customers with the aim to provide them a presentation, answering the questions and obtaining the orders.

The first four ways are called mass communication. The direct marketing as well as personal selling is called personal communication. (Kotler, Keller, 2007)

The term communication system often means only advertising because it is its most visible method. Each of these methods, however, comprises a number of means, techniques, and tools which complement each other and their employment is aimed at the influencing of the customer behaviour. But attention, neither product nor its properties will be changed by means of the communication only will the attitude of buyers and their idea about the offer of the market. As the customers are different, the final consumers, wholesalers, retailers, other firms, organizations, institutions, organs of state administration and self-government, as suitable combination as possible should be made of these methods to be called communication mix.

Large firms whose advertising is broadcast all over the world, are using the so-called strategy of standardization, i.e. standardized marketing mix. By the fact that they use the same technique of advertising to be broadcast all over the world, they get into awareness of customers and are making an image of world sign (Coca-Cola, Honda...). In addition of this marketing approach, the firms are using also the strategy of individualization on markets abroad being in fact an adaptation of marketing mix to the local conditions as well as to national mentality.

There are several difficulties which should be avoided in the field of marketing communication in the international marketing. It is e.g. the diversity of political, legal, and cultural setting, using of various means of communication either according to the circumstances using the mass media or personal communication is more advantageous with some groups of customers. Furthermore, local setting should be taken into account, particularly its cultural realia because each country has its own style. There is also the language problem. It is not possible to translate texts literally; language peculiarities of the particular country should be taken into account and the text should be adapted. A standardized approach of worldwide known signs, however, is also not excluded and it is successful (Foret, Procházka, Vaculík, Kopřivová, Foret, 2001)

Marketing communication in European Union

With the fate of communist ideology at the end of 1980's the barriers were eliminated in the countries of the central and eastern Europe for a free movement of goods, services, workers, and capital. A huge European market has been made representing the largest world's market with ever expanding membership in the European Union. The problem of European market is in detail presented in the publication by J. Světlík „Marketing for European market“.

In the field of marketing communication the author emphasizes the fact that differences in marketing communication in particular European countries are big and they are influenced by national cultures. Therefore the firms entering the international business setting must learn to communicate in this setting. This concerns not only overcoming the language barriers but also respecting of religion, understanding of time, importance of colours, numbers, perception of space and distance from the other person, habits, presents, manner of business dealings etc. (Světlík, 2003)

Internationally, in order to protect the consumers, firms as well as the entire society, a number of regulatory measures has been introduced. According to Pelsmacker on page 555, the following directives are valid for the European Union in the field of marketing communication:

- Directive about an untrue advertising whose aim is to protect the customers from false data about product, prices, identity of advertisement submitter etc.
- Directive about the television without borders simplifies the rules for television in Europe. It is the addition to national rules because membership countries of European Union were not prepared for the harmonization of their national broadcasting.
- Directive about the protection of personal data has a great impact upon the making of buyers' databases to be used with a direct marketing, because these data can be collected only for „specific, clearly defined, and legitimate aims.“
- Directive about the long-distance selling in the case of an order through the Internet, telephone selling or catalogue gives a right to the customers to cancel an order in the course of seven days and it guarantees a delivery by thirty days.

In conclusion it should be stated that marketing communication proves to be one of the most visible and the most discussed tools of marketing mix. We all are namely exposed to the effects of advertising, to various supports of selling, we are addressed by sellers, we participate in various exhibitions,

markets, we use Internet etc. It is the aim of these activities to influence our shopping behaviour. In practice, we often begin to meet with a new term euromarketing, that propagates a new understanding of marketing in the countries of European Union so that it connects the global approach with a local one. In this way it uses the strategy of standardization with the maintenance of cultural habits and specifics of particular European Union members (Světlík, 2003), (Pelsmacker, Geuens, Bergh, 2003)

Advertising and children

Children are the most vulnerable and the most defenceless group in our society. This is why in the article the effect of a communication mix tool - i.e. advertising upon their perception of the world will be shortly presented. In Europe, strict rules of the advertising regulation for children are valid.

Advertising must not cause any moral or physical harm to underage persons, and therefore it must comply with the following criteria to protect them:

- ✓ It must not directly encourage the underage persons to the buying of the product or service using their inexperience or credulity
- ✓ It must not make use of a special trust that underage persons have to their parents, teachers or other persons
- ✓ It must not get the underage persons into dangerous situations for nothing
- ✓ In addition, programmes for children may be disrupted only in case if it is planned that the programme takes more than 30 minutes
- ✓ It is not allowed to place the product in programmes for children
- ✓ European Union countries should encourage the providers of audio-visual medial services so that they work out the rules of conduct concerning the advertising of some food in the programmes for children.

Present-day medial setting is greatly different from the setting that prevailed one generation back. The children have access to the media from various sources and in various ways. They are using a number of new technologies and this generation is much more technologically capable than were any of its predecessors. Thus the children are using and have much information available either for the purpose of education, sports or amusement. This information is provided to them by means of marketing communication, however, it is of importance so that its providers are responsible and feeling to the needs of children as well as to the level of their knowledge.

Programme RAC - Responsible Advertising and Children - represents the advertisers, advertisements and media and it helps to its members so that they have a responsible approach to the marketing communication and to the children. They search actively and with responsibility for an open, constructive and transparent dialogue with parents and other concerned persons in order to identify the emergent problems. It is its objective to ensure a responsible advertising so that it complies with the self-regulatory rules and so that it complements the legal framework. This is why all the forms of marketing communication all over the world must be in accordance with a consolidated code for advertising and marketing of the International Chamber of Commerce - ICC and more detailed national codes. In the part of ICC code, a special attention is being paid to the communication for children. Since its founding in the year 1919, International Chamber of Commerce serves to the world of commerce for assertion of commerce and investments, open markets of goods and services, and free movement of capital.

Based on ICC codes, national „self-regulation codes“ are defined and their adherence is followed by local organizations – i.e. self-regulatory organizations SRO, in more than one hundred countries of the world. Self-regulation in the field of advertising means that advertising industry – i.e. advertisers, agencies and media should make advertisements complying with the set of ethic rules, i.e. that they should comply with legal standards, be dignified, honest, true, they should be worked out with the sense for social responsibility towards both a consumer and the society as a whole and made with appropriate regard to the rules of a fair economic competition. In Europe, SRO make a network to be coordinated by European alliance for advertising - EASA. (<http://www.easa-alliance.org>) This organization has started its activities in the year 1992. Within EU the directive „Television with no borders“ is also valid representing a milestone of EU within the audio-visual legislation.

RAC members believe that marketing communication plays an important role in our economy and in the society. It provides important information for a consumer, it is a driving force of economic competition creating the innovations, growth, satisfaction of consumers, employment and incomes from taxes for public investments. Marketing communication proves to be a main source of incomes for television programmes, cultural and sporting events. Free press depends also on incomes from marketing communication. Therefore it should be stressed that the possibility to advertise is connected with responsibility, particularly as concerns the children. Marketing communication with children should be perceived in the context of parents'

leading and therefore it must not endanger the parents' authority or that of adults in general. This is why RAC members lie under an obligation to work with parents and at schools with the aim to ensure so that marketing communication fulfils the expectations of the society concerning the protection of children. The research confirms that nowadays the children are ever more medially literate, however, it is needed to help them with gaining the skills to be necessary for the communication with media.

Education of children in such a way so that they understand the both purpose and context of marketing communication is helping them to develop skills, critically to interpret commercial announcements to be connected with their everyday life. This fact is crucial in the preparation of their interaction with a reality in the world of media. UNICEF states that the relationship media – child is an entry point into a wide and multilateral world of children and their rights – i.e. rights for education, freedom of expression, plays, identity, health, dignity, protection – namely in every aspect of child's rights, in every element of child's life this relationship media - child plays a role.

RAC members state that it is their goal so that responsibility prevails in the field of children's marketing communication so that it is always in accordance with highest standards of responsibility, so that it does not make use of relative inexperience of children, because they are not becoming mature by the same pace and they are gaining consumer's skills gradually.

The result of a brief survey of RAC company work is its obligation to protect children in cooperation with all involved parties, to ensure the strengthening and development of legal framework in such a way so that the justified fears of parents of an undesirable impact of marketing communication upon children are solved, particularly in the field of advertising.

(<http://www.responsible-advertising.org/advertisingandchildren.asp>), 21.6.2010

Summary

Marketing communication, in all its forms, can have a huge economic return for societies. At present, when particular European countries are joining into a united entity, we start speaking about European marketing, i.e. euromarketing. In connection with the integration into European Union structures it is not only suitable but also necessary so that mainly enterprise subjects acquaint the inhabitants of Europe with problems of cultural and other differences and in this connection with new forms of communication activities and ethic principles of doing business, in particular in the setting of

advertising. In this setting, as it was shown in the article, children are moving too, very often without the control of adults, therefore it is necessary to protect them from its unfavourable effects and on the part of advertisers to comply with legislation, but mainly ethics. Merely in this way the development of the programme of medial literacy of the society is possible.

Bibliography

1. FORET, M., 2008. Marketing pro začátečníky. Brno: Computer Press, a.s. ISBN 978-80-2511942-6
2. FORET, M.-PROCHÁZKA, P.-VACULÍK, J.-KOPŘIVOVÁ, K.- FORET, N.2001. Marketing, základy a postupy. Praha: Computer Press. ISBN 80-7226-558-X
3. HORVÁTHOVÁ, M.- SEDLÁKOVÁ, S.- GUZYOVÁ, K.2007. Marketing a samospráva. Marketingová komunikácia v krajinách EÚ a v samospráve Slovenskej republiky. In: Trendy v systémoch riadenia podnikov, 10. medzinárodná vedecká konferencia, zborník príspevkov, Košice, Technická univerzita v Košiciach, ISBN 978-80-8073-885-3, CD ROM
4. KITA, J. a kol.2002.Marketing.Bratislava: IURA EDITION, spol.s.r.o. ISBN 80-89047-23-8
5. KOTLER, P.- KELLER, K.L., 2007. Marketing management. Praha: Grada Publishing, a.s. ISBN 978-80-247-1359-5
6. MATUŠ, J. - ČÁBYOVÁ, K. – ĎURKOVÁ, K. 2008. Marketing – základy a nástroje. Trnava: Fakulta masmediálnej komunikácie UCM. ISBN 978-80-8105-074-9
7. PELSMACKER, P.-GEUENS, M.- VAN den BERGH, J.2003.Marketingová komunikace. Praha: Grada Publishing, a.s. ISBN 80-247-0254-1
8. RAJT, Š., 2000. Marketing – Charakteristika, stratégia, proces. Bratislava: Sprint. ISBN 80-88848-62-8
9. SVĚTLÍK, J., 2003. Marketing pro evropský trh. Praha: Grada Publishing, a.s. ISBN 80-247-0422-6
10. ŠKORVAGOVÁ, S.-ZORKÓCIOVÁ, O.2009. Perspektívy vývoja medzinárodného marketingu. Bratislava: Ekonóm. ISBN 978-80-225-2562-6
11. <http://www.responsible-advertising.org/advertisingandchildren.asp>, 21.6.2010
12. <http://www.easa-alliance.org>, 22.6.2010

Contact

Ing. Miriam Horváthová PhD.
Prešovská univerzita v Prešove
Fakulta manažmentu
Katedra marketingu a medzinárodného obchodu
Konštantínova 16, 080 01 PREŠOV
E-mail: mhorvathova@unipo.sk

Exploitation of Marketing Communication in Slovak Milk Converting Enterprises in Connection to Final Consumer

Ivana Hroncová

University of Prešov in Prešov, Faculty of Management

Abstract

This topic presents the results of the realized primary research. We examined, which of the marketing communication tools are exploited in the milk converting enterprises in connection to final consumer. Together we research the marketing communication perception of enterprises and the way of the financial resources allocating to marketing communication. We interested whether the enterprises monitor the effectiveness and the efficiency of their marketing communication, whether the enterprises realize the researches in this area and we research the way of using of its results.

Key words

Marketing communication and its tools, Slovak milk converting enterprises, Slovak consumer

Introduction

In consequence of today different changes, in economical, cultural or social range, also consumer and consumer behavior is breaking up. Consumer demands, its purchase incentives and also its life style are changing. Typical life style of west Europe countries from several years ago, nowadays is markedly affecting recent Slovak consumer, too.

In point of goals achieving in corporation is important to follow actual changes in consumer behavior and to implement them into strategic corporate decisions. It is avoidable condition of success accomplishing and to market share retain and incomes and benefits to achieve and assure.

Slovak consumer on one hand is liable to utility society tendency. It is expressed in fast- food preferring. But on the other hand, Slovak consumer requires the products, which are health and healthy life style supporting such as milk and dairy products.

In article are several selected primary research results presented. This research was focused to perception and exploitation of marketing communication in Slovak milk and dairy converting enterprises.

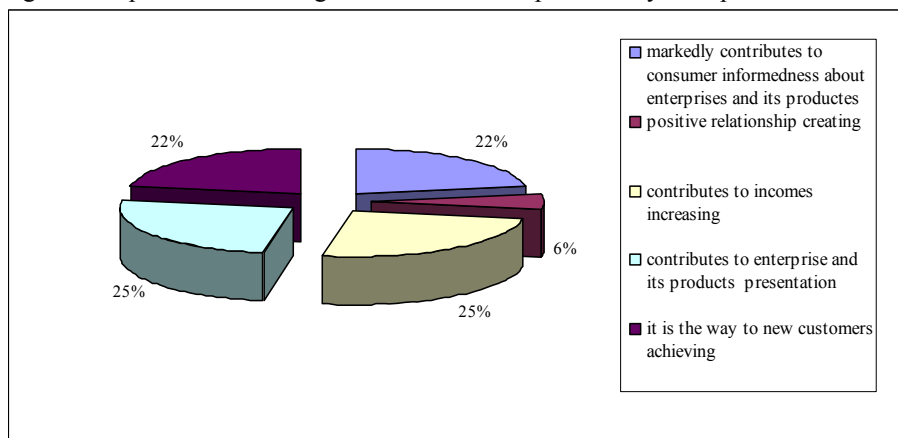
1. Selected primary research results of marketing communication range in Slovak dairy enterprises

With one of applied questionnaires in primary research process, we addressed only these milk and dairy converting enterprises, which are registered as members in Slovak milk and dairy association. Together we included out enterprises only dairy husbandry engaging. We exercised over the actual check- list of Slovak milk and dairy association members (april 2005) and these enterprises we addressed. From the amount of 29 milk and dairy converting enterprises, 14 of them backward consigned filled in questionnaire. It features relatively high of backflow (48, 3 %).

Following results worked in graphs and tables are including only selected results of 14 mentioned enterprises.

Graph 1 presents the perception of marketing communication importance by enterprises on Slovak market in milk and dairy branch operating.

Fig. 1 Perception of marketing communication importance by enterprises



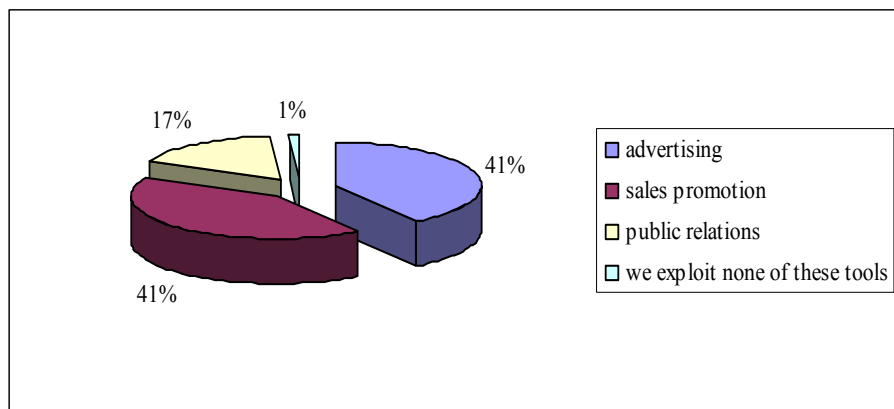
Source: Own research

Accordance to statement in graph 1, opinion of fourth part (25 %) of examined sample of enterprises is that marketing communication contributes to enterprises and its products presentation. By the same part of enterprises (25 %) marketing communication contributes to incomes increasing. Following 22 % of enterprises, marketing communication contributes to consumer informedness about enterprise and its products. Also 22 % of them believe it is the way to new customers achieving. Marketing communication as the tool of positive relationship creating, perceives 6 % of enterprises.

On the ground of ascertained we can give a statement, that Slovak milk and dairy converting enterprises perceive the marketing communication as one of the enterprise activities very positive. They believe, that this activity is important not only in point of enterprise presentation, enterprise and products informedness and to customer achieving, but its importance is also in point of financial aspect of enterprises. It was expressed in perception of marketing communication as the tool of increasing incomes contribution.

The most exploited marketing communication tools are the tools of the sales promotion domain and tools of the advertisement domain. Marketing communication tolls of the sales promotion domain represented 41 % (42) and also tools of advertisement domain were 41 % (41) from the all tolls exploited by enterprises. Tools of public relation domain represented 17 % (17) from the whole rate of alleged tools and 1 % (1) was the choice by which the enterprise use none of these tolls of marketing communication (see the graph 2).

Fig. 2 Exploited tools of marketing communication in milk and dairy enterprises



Source: Own research

In primary research we were analyzing the exploitation of marketing communication tools in enterprises through four criteria- time of enterprise entrepreneuring on Slovak market, enterprise according to amount of employees, according to the region of enterprise's business activities, and by the foreign trade capital in enterprise. By this arrangement we verified if exist connection as regards marketing communication tools, or rate of marketing communication applied in enterprises. We also interested in marketing communication tolls exploitation in Slovak milk and dairy converting

enterprises by assortment's categories- such as milk, cheeses, curd, butter, yoghurts, acid- milk drinks, cold milk dainties. It was realized through these criteria- sort of salesroom, location of salesroom, by target group, by advertising campaign target, according to price or by others. In point of the article proportion is not possible to present all detailed results of the research.

2. Marketing communication researches realized by Slovak milk and dairy enterprises

Except the findings of marketing communication tools exploitation in enterprises by milk and dairy categories and others connected analyses, we engaged also with question of research realizing about these tools influence. We inquired if explored sample of enterprises is realizing the researches about marketing communication tool influence to consumers.

We found out, that 71, 4 % of enquired enterprises are accomplishing these researches. This result confirmed, that majority of enterprises are performing the selection of exploited marketing communication tools on the basis of its efficiency, in point of their influence to consumer behavior. It means that decisions about concrete marketing communication tools are not adventitious, but it is based on realized analysis.

Table 1 is delineated the outline of enterprises performing these researches, classified by criteria- time of entrepreneuring on Slovak market, by the amount of employees, according to the region of enterprise's business activities, and by the foreign trade capital in enterprise.

Time of entrepreneuring criteria, criteria of the region of enterprise's business activities and the foreign trade capital in enterprise criteria, in the case of performing these researches, if you like, not performing these researches, are not in this sense important criterion. But the amount of employee's criteria, by our ascertaining, is criteria by which we can appreciate performing/not performing researches. By our findings, these researches accomplished more big enterprises than small or medium enterprises. This can be related with assume, that financial situation of big enterprises is better and they can afford to spend more financial sources on these activities. Small enterprises, despite of they are awaring of these researches positives, they do not have necessary volume of financial sources

Table 1 Performed researches of enterprises focused to enquiring of marketing communication tools influence

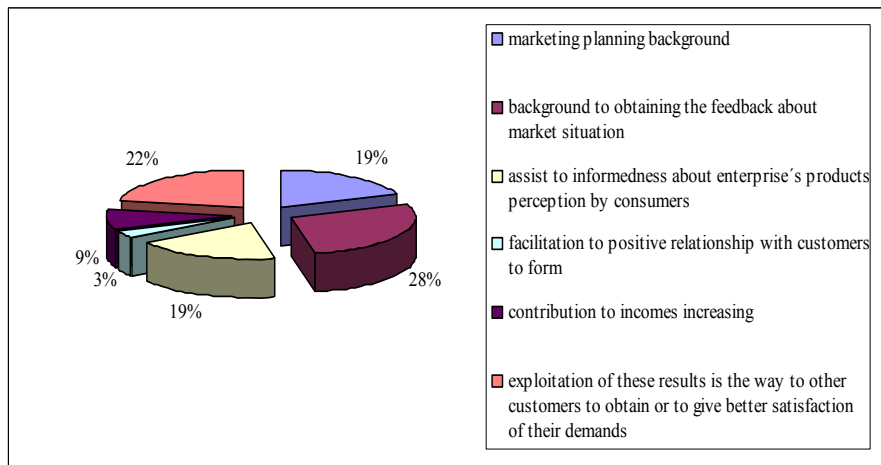
Criterion		Number of enterprises
time of enterprise entrepreneurship on Slovak market	to 5 years	2
	from 6- 10 years	2
	from 11- 20 years	3
	from 21- 30 years	1
	more than 31 years	2
enterprise according to amount of employees	0- 49 employees	1
	50- 249 employees	3
	more than 250 employees	6
the region of enterprise's business activities	Bratislava landscape	-
	West region of Slovakia	4
	Middle region of Slovakia	5
	East region of Slovakia	1
the foreign trade capital in enterprise	without foreign trade capital	5
	partial foreign trade capital	1
	100 % foreign trade capital	4

Source: Own research

Within these 10 enterprises which are performing the researches about the influence of marketing communication tools to consumers, we also enquired as the additional information- if they are realizing researches by themselves or by external company. According to our findings, majority of enterprises are accomplishing the researches by external company (58 %) and 42 % of them by themselves.

There is a difference, if the enterprises realize these researches by our employees or by external company, or if they are also exploiting these results. We established the ways of results exploitation obtained by researched, too (graph 3).

Fig. 3 Exploitation of research results focused to enquiring the influence of marketing communication tools in milk and dairy enterprises



Source: Own research

Achievement, that only 9 % of these enterprises has the opinion that research results contribute to incomes increasing is astonishing. By already mentioned accomplishments, we found out, that 25 % from all explored enterprises believe, the importance of marketing communication is also in its contribution to incomes increasing.

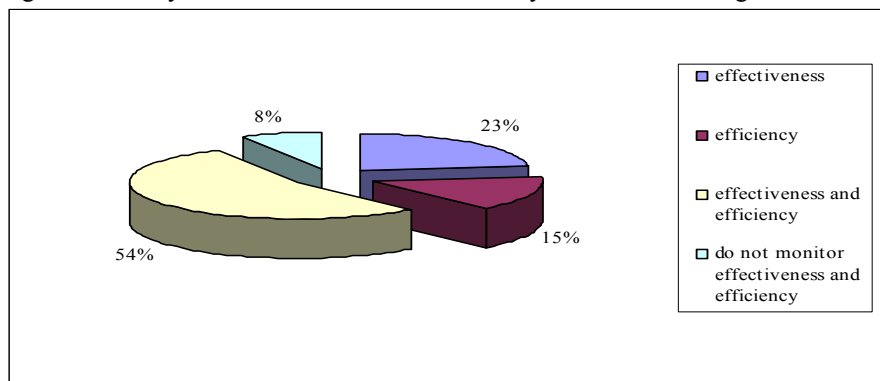
On the basis of this fact, we can this achievement explicate, that enterprises perceive the marketing communication as benefit activity in point of incomes increasing. But together, the results of mentioned researches they do not consider, in point of incomes increasing, alike significant.

3. The effectiveness and the efficiency of made use of marketing communication tools

The way of assigning financial sources to marketing communication in these enterprises was another part we interested. 50 % of the examined enterprises, gave the statement, that to marketing communication concretization they have firmly defined rate of financial sources, which is during the long time rigid. Operational management of financial sources rate to this purpose realize 35, 7 % enterprises, others 14, 3 % enterprises do not signed any of possibilities.

Final question in our questionnaire we investigated, if the enterprises handle of their marketing communication effectiveness and efficiency. The achievements are in graph 3.

Fig. 4 The analysis of effectiveness and efficiency realized marketing communication



Source: Own research

By graph 3, the majority of the observed enterprises (54 %), monitor the effectiveness and efficiency its marketing communication. We account this as positive achievement. Only the effectiveness indicator monitor 23 % enterprises, 15 % enterprises monitor only efficiency, only 8 % of them do not monitor effectiveness and efficiency, even though they make use of marketing communication.

Summary

Realized primary research brought several achievements in the marketing communication area of Slovak milk and dairy converting enterprises. We enquired that these enterprises have a positive perception the importance of marketing communication. None of them consider the marketing communication as activity, which is drawing of the enterprise sources. Reversal, they accept its importance in point of enterprise's success achieving, and it has for every enterprise strategic consequence. Milk and dairy enterprises make use all marketing communication tools in connection to consumer, on which is consumer sensible, except the factor- own experience and product assurance. In comparison, enterprises exploit many other marketing communication tools, which are of the point of consumer not so cardinal.

Despite of this, that generality of enterprises in this industry realize researches focused to enquiring the influence of marketing communication tools to consumer, probably these researches are not so qualitative and their circumstantiality is disputable. So the results probably do not follow the real situation. Together, the enterprises could be aware of already mentioned importance of own experience factor with milk and dairy products. The enterprises do not accredit any importance to this factor. In the group of respondents in the age 20- 34, in the first phase of primary research, the own experience factor was the most important factor of influence to buying decisions of respondents.

We discovered, the level of marketing communication exploitation is connected with the employee's amount of enterprise. Big and medium enterprises achieve higher level in this sense.

Achievement, that also in point of region is the marketing communication tools exploitation in milk and dairy converting enterprises different, is other output of our primary research.

The enterprises perceive the marketing communication as the contribution to incomes increasing. But together, the research achievements in this area, they do not consider alike distinguished.

In point of the financial sources assigning to marketing communication, we discovered, that one half of these enterprises have firmly defined rate of financial sources, which is during the long time rigid. Less of them use for this purpose the operational management of financial sources rate. Annual approving of the financial sources rate we consider as more appropriate way, because it is connected with the market situation. None of the enterprises give this answer.

According to the primary research results, more that one half of enterprises monitors marketing communication effectiveness and efficiency. We account it is positive. But on the other hand, in connection with foregone results, the majority enterprises are accomplishing the researches by ourselves, or by external company, but these results probably do not accept the market situation. So we can alleged, that the achievements of these researches about effectiveness and efficiency of marketing communication tools are not accurately.

Bibliography

1. HRONCOVÁ, I. *Analýza vplyvu vybraných nástrojov marketingového komunikácie na spotrebiteľské správanie zákazníka*. Dizertačná práca. Banská Bystrica: 2006. s. 159.

2. Mliekárenský priemysel. Dostupné na Internet: http://mesto.sk/prispevkyVelke/banovcenad_bebravou/milsyaprievidzskal112782980.phtml (12.5.2005)
3. Reklama v mliekárenskom priemysle. Dostupné na Internet: www.tnsofres.ak/docs/Postoj_k_reklame1.ppt. (12.2.2005)

Contact

Ing. Ivana Hroncová, PhD.

Faculty of Management, University of Prešov

Department of marketing and international trade

E-mail: ihroncova@centrum.sk

The Opportunities for Increasing the Marketing Communication Efficiency on the University Education Market

Jana Jurková – Martina Ferencová

University of Prešov in Prešov, Faculty of Management

Abstract

Faculty communication policy is a way of formation and maintaining a position in competitive conditions of university education market. To contact the targeted groups at the university, it is necessary to use different communication tools in different situations and change their extent and intensity. This article identifies the structure of communication mix for secondary school students, as potential university students. The paper deals with identifying opportunities to increase the marketing communication and information resource efficiency on example of the selected faculty, focusing on targeted group of secondary school students.

Key words

education, information resources, faculty, marketing communication, university

Introduction

The necessary factor for making the marketing communication at the university more effective, is to identify the information tools used by potential students of university (secondary school students). This article looks into possibilities of making marketing communication of selected faculty more effective, considering the faculty status on the university education market in region of eastern Slovakia. The analysis is based on knowledge and attitude of respondents towards faculties at the universities.

Marketing communication

The marketing communication at universities represents the systematic use of principles, elements and marketing practices while establishing, deepening and strengthening relations between university and its customers (Světlik, 2006, p. 209). General target of marketing communication is to influence behaviour of university customers. Specifically speaking, in relation to secondary school students as potential university customers, it is information

about the existence of university (or image), objectives, activities and options, provided products and services and their quality, also stimulate interest in its activities and obtain information through feedback (see Kincl, 2004).

To provide an effective marketing communication, the university can use one of two known forms in marketing communication process. Personal communication – personal sale program or non personal mass communication – adverts, sale promotion programs, public relation programs (Labská, 1998, p. 16).

Personal communication is a direct form of communication. In university case, the offer can be in form of a study domain when personally visiting the secondary schools (communication with headmasters, educational consultant, teachers, students of secondary schools), personal contact in form of open days (communication of potential students with university management, students, possibly absolvents, sponsors, university firms) etc.

Public relations management supports systematic analysis, maintenance of relations between university and society as well as planning, realization and maintenance of internal and external communication politics (Groenendijk, 2001). Public relations activities (PR) are aimed to systematically support common understanding between High School and targeted group. Their aim is to raise the awareness of the school, its credibility and stimulate the interest of customers in its products, as well as creation, change and promotion of the image of high school (aimed more at high school as an institution, rather than its products). The standard tools of public relations are organized of conferences and seminars, participation on international projects, researches, grants, promotional literature, but also books and other publications of high school (Deák, 2005, p. 36), press conferences, reports and articles published in media, public speeches of High School representatives, materials printed by school (leaflets, brochures, etc.), its design (Světlík, 2006, p. 217 – 218) and most recently telephone and video conferences (Horváthová, 2005). Mentioned PR activities influence the decision of customer indirectly.

Another high school communication mix tool is advertising (Světlík, 2006, p. 222), a paid form of impersonal presentation and promotion of ideas, products or services of clearly defined sponsor (Kotler, Kotler, 2007, p. 636). Its purpose is to inform consumers and influence their behaviour in commemoration of the existence of high school. At present, the cooperation between universities and mass media is becoming increasingly important. When choosing the media type, it is necessary to consider its frequency, impact, but also media habits of targeted audience along with the product characteristics, the nature of information and costs. To advertise, universities

most often use newspapers, magazines, radio, but television advertising is no exception. Currently, Internet has become one of most significant impersonal and explicit form of marketing communication (also referred to as a separate instrument of communication policy in professional literature; see Foret, 2003). Wide possibilities of its use are applied to various communication activities of universities. E-marketing, for example, offers opportunity for greater interactivity and individualization through well-designed websites, online advertising and promotion (Kotler, Ketler, 2007, p. 650), where updating of information on the Internet for high school marketing is essential (applications acceptance deadlines, 1st class registration deadlines, dates for selection process, etc.). To make marketing communication effective (in terms of achieving targeted customer behaviour – of realistic and potential students of university), it is important to pay particular attention to context, marketing message content and also another key factor – constant change to which data, information and reports are subject to (variability of services provided by university must reflect in actualisation of provided information) that is in both forms personal and impersonal.

Aim, methods and materials

The paper deals with identification of potential sources of information used by potential university students (secondary school students) in context of a communication strategy of Faculty of Management at University of Presov in Presov. This article is based on research and its aim is to highlight potential in making communication of selected economic faculty more effective towards its potential customers, considering its position on university education market defined by matrix knowledge/favouring attitude in region of eastern Slovakia (detailed Štefko, 2003).

Subject to research were 4 economic faculties of east Slovakian universities (Economical Faculty at Technical university in Kosice (EF TUKE), Faculty of Management at University of Presov in Presov (FM PO), Faculty of Business Economic at Business Economics university of Bratislava based in Kosice (PBE EUBA) and University of International School of Management ISM Slovakia in Presov (ISM PO). Defined was the degree of knowledge and favouring attitude of respondents towards the faculties, as well as usage of various information resources about the educational institutions by secondary school students.

The research was conducted in 2010, in space of 2 month, on the ground of district of Kosice in form of questionnaire. It consisted of 22 sample secondary schools (gymnasiums). The choice of secondary schools have been

subject to condition, where minority of newly admitted students of universities are former students of gymnasiums (ÚIPŠ, 2009). The research sample was selected based on convenience sampling. The research sample consisted of 360 students of 4th grade of 9 different gymnasiums, where 290 respondents actively participated. The actual return of questionnaires was thus 80.56%.

Results and discussions

Educational institutions providing higher level of education in fields of economics and management in region of eastern Slovakia, have been placed in two quadrants, based on matrix knowledge/attitude of secondary school students. FM PO, EF TUKE and PBE EUBA were allocated in quadrant representing positive level of knowledge and positive attitude of secondary school students. ISM PO is in quadrant specific for low knowledge but positive attitude of secondary school students.

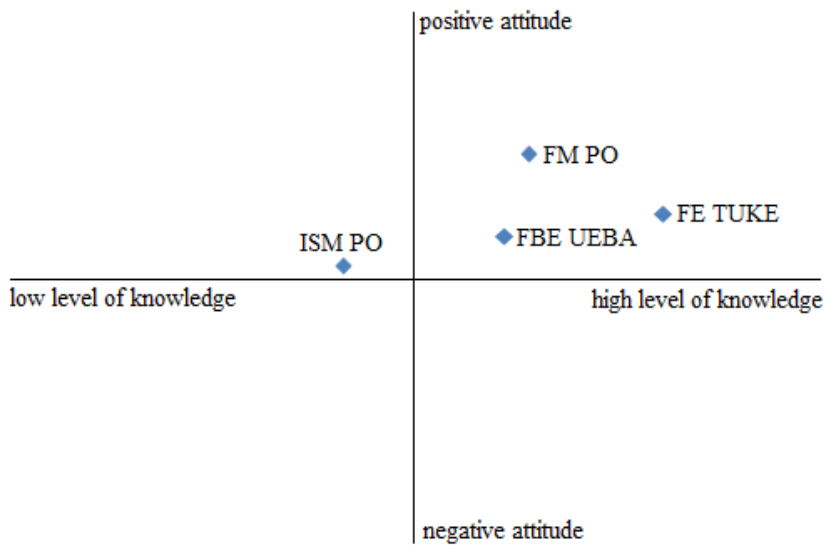


Fig. 1 Graph analysing knowledge and positive attitude towards universities of economics
Source: own resource

Status of the Faculty of Management at the University of Prešov is based on the analysis of students' knowledge and favoring attitude. Although the Faculty of Management has a lower degree of knowledge at disposal (in comparison with Economical Faculty at Technical university in Kosice), the respondents aware of it have a highly positive attitude towards the faculty.

Attention was also focused on the sources of information used in obtaining information about particular faculty at the university (Graph 2).

The most used information resources by students of gymnasiums are relatives and friends together with the faculty Web Site and publication “Where to the university”, which is published annually, which contains all basic information about universities providing education in that academic year, regardless of orientation. Less seeked information sources, according to the findings are educational advisors operating in secondary schools, open days and headmasters of secondary schools. Above others were also included personal visit to the faculty.

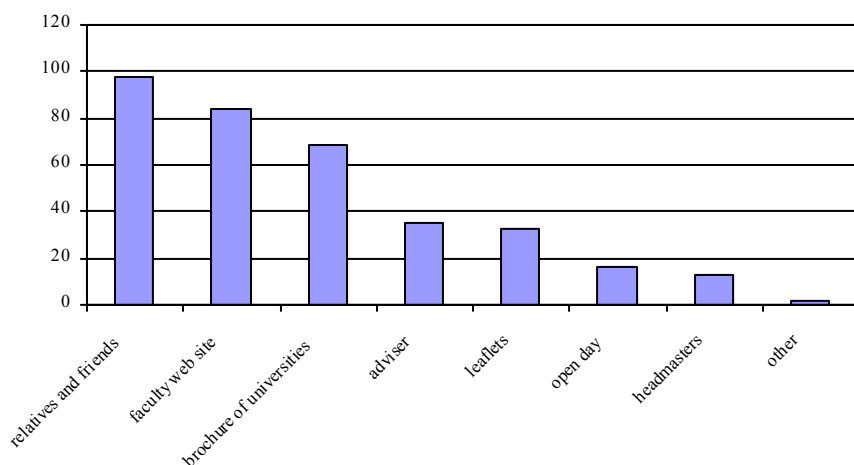


Fig. 2 Information sources of communication politics used by secondary school students when obtaining information about particular faculty of the university (FM PO)

Source: own resource

The correlation analysis provided studies of relationships between various sources of information, information sources and selection criteria of the faculty (field of study, study fees, distance from the residence of faculty, etc.) and the relationship between faculty selection criteria themselves. None of the

tested relationship was statistically significant. The data shows, that the individual types of information sources are not related to each other and the mutual link is neither among the selection criteria of the faculty and information sources, nor among selection criteria of faculties themselves.

Based on the results of the research it can be concluded, The Faculty of Management is on a positive level with students of gymnasiums in the district of Kosice, though in comparison with Economical Faculty at Technical university in Kosice is less known. Therefore it is necessary to focus the tools of communication politics in given region on raising the awareness about the faculty, study program, current study focus, conditions of admission of prospective students, as well as Faculty of Management at University of Presov in Presov activities. Further recommendations can be made to increase and emphasise the personal communication with educational advisors and headmasters of secondary schools when personally visiting the representatives of the faculty at secondary schools. In Information source ranking they took 4th and 7th place. Even though it is them who are in daily contact with the target group of students and may significantly influence their choice of university. Desirable is also to revive open days (6th place). It can be achieved by personal/face to face contact of potential students with current students and graduates of the university, possibly the sponsors and university supporters. Materials about faculty, including leaflets (5th place), will need modification of content and form to the extend that will help to increase the attraction of young people.

Summary

The use of information resources when increasing knowledge and awareness about university education on the market, is a subject of many scientific and technical discussion and it seems sensible. The concentration on this key factor had an influence on Faculty of Management at University of Presov, currently the most popular above faculties in Slovakia. The marketing communication tools used in this educational institution have several forms.

Ever since its establishment, faculty uses communication politics consistently and on regular basis to reach the students of secondary schools. The students are sent materials containing basic information about forms of studies, conditions of admission to faculty and about faculty itself, also leaflets, brochures and open day invitations via e-mail. The personal meetings are also held to provide direct communication between the faculty management and targeted groups (secondary school students and teachers), where you can also receive a book publication about faculty (Butoracová

Šindleryová a kol., 2009). Throughout the open days, faculty presents publication with outputs of its own researchers (books, textbooks, anthologies), printed promotional materials, as well as the documentary about the Faculty of Management PU in Presov (www.unipo.sk/fakulta-manazmentu). At the end of each open day, the head of faculty leads a discussion with everyone present (prospective student, parents of prospective students, etc.). Faculty is also presented through personal visits of its employees at secondary schools, with emphasis on gymnasiums and business academies based in region of eastern Slovakia. The mentioned activities are supplemented by advertising campaign in selected media, possibly press conferences and to it related appearances in regional and national mass media. Another way The Faculty of Management uses to inform the public, is through the web page, which is the second most commonly used source of information after friends and relatives.

Introduction of the mentioned proposals to marketing practice, can contribute to increase of effectiveness of marketing communication of The Faculty of Management at University of Presov in relation to secondary school students from district of Kosice. In particular, it involves personal visits to headmasters, educational counsellors and students of secondary schools with the proposals of further education. Also personal contact of secondary school students with personalities of faculty, its graduates and supporters in form of open days (personal communication), as well as promoting content and graphics of printed promotional materials, mostly leaflets (impersonal communication). The least but no last, it is important to concentrate on further building and development of good public relations through the expansion of spectrum of information sources of selected faculty, in order to build awareness about faculty, its credibility and encourage the interest of customers – the target group of secondary school students to its product – a study program 3.3.15 Management.

Bibliography

1. ALI TAHA, V. 2009. Vplyv univerzít na regionálne inovačné procesy a model “trojitej špirály”. In: *Implementácia špecifických znalostných a marketingových modelov a nástrojov v regionálnom rozvoji. Zborník vedeckých štúdií z výskumného grantu VEGA č. 1/4638/07 a Centra excelentnosti výskumu kognícií – CEVKOG*. Prešov : Fakulta manažmentu Prešovská univerzita v Prešove, 2009. s. 134 – 140. ISBN 978-80-555-0060-7
2. BAČÍK, R. 2009. *Marketingová koncepcia špecifických nástrojov dominantnej univerzity v prešovskom regióne ako súčasť znalostného regionálneho modelu*. Prešov : Prešovská univerzita v Prešove, 2009. 217 s. ISBN 978-80-555-0057-7

3. BUTORACOVÁ ŠINDLERYOVÁ, I. – LITAVCOVÁ, E. 2010. Komunikačný marketingový mix v sektore vzdelávacích služieb s dôrazom na dominantné postavenie public relations. In: *Špecifiká regionálneho a neziskového marketingu. Zborník z medzinárodnej vedeckej konferencie*. Trnava : Fakulta masmediálnej komunikácie Univerzity sv. Cyrila a Metoda v Trnave, 2010. s. 199 – 209. ISBN 80-8105-158-6
4. BUTORACOVÁ ŠINDLERYOVÁ, I. a kol. 2009. *Prešovská univerzita v Prešove, Fakulta manažmentu 2009 v konkurenčnom vzdelávacom prostredí*. Prešov : PU v Prešove, Fakulta manažmentu, 2009. 257 s. ISBN 978-80-555-0080-5
5. DEÁK, P. 2005. *Kvalita a image manažerských škôl*. Praha : ASPI, 2005. 144 s. ISBN 80-7357-0900-4
6. *Fakulta manažmentu. Prešovská univerzita v Prešove*. 2010. [online]. Dostupné na internete: <<http://www.unipo.sk/fakulta-manazmentu>>
7. *Filmový dokument o Fakulte manažmentu PU v Prešove*. 2010. [online]. Dostupné na internete: <<http://www.unipo.sk/fakulta-manazmentu>>
8. FORET, M. 2003. *Marketingová komunikace*. Brno : Computer Press, 2003. 275 s. ISBN 80-7226-811-2
9. KINCL, J. et al. 2004. *Marketing podle trhu*. Praha : Alfa Publishing, 2004. 124 s. ISBN 80-86851-02-8
10. KOTLER, F. – KELLER, K. L. 2007. *Marketing management*. 12. vyd. Praha : Grada Publishing, 2007. 788 s. ISBN 978-80-247-1359-5
11. LABSKÁ, H. 1998. *Marketingová komunikácia*. 2. vyd. Bratislava : KO&KA, 1998. 92 s. ISBN 80-7152-007-1
12. OLEXOVÁ, C. – BAŠISTOVÁ, A. 2010. Negotiation strategies and tactics. [elektronická verzia]. In: *Conference AMTP IV*. Košice : University of economics in Bratislava, Faculty of business economics in with a seat in Kosice, 2010. ISBN 978-80-225-2926-6
13. SVĚTLÍK, J. 1996. *Marketing školy*. Zlín : EKKA, 1996. 384 s. ISBN 80-902200-8-8
14. SVĚTLÍK, J. 2006. *Marketingové řízení školy*. Praha : ASPI, 2006. 300 s. ISBN 80-7357-176-5
15. ŠTEFKO, R. 2003. *Akademické marketingové inštrumentárium v marketingu vysokej školy*. Bratislava : R. S. Royal Service, 2003. 262 s. ISBN 80-968379-5-8
16. *Ústav informácií a prognóz školstva*. 2009. [online]. Dostupné na internete: <<http://www.uips.sk/VS>>

This article is published as one of the outputs by the international research grant “University Role in Regional Development and Knowledge Dissemination” SK-PL-0056-09, by Slovak Research and Development Agency SRDA (APVV) and the Centre of Excellence CEVKOG.

Contacts

Ing. Jana Jurková, PhD.

Department of Marketing and International Trade

Faculty of Management, University of Prešov in Prešov

Ul. Konštantínova 16, 080 01 Prešov, Slovakia

phone: +421(0)51 7470 606

E-mail: janajurkova@unipo.sk

PhDr. PaedDr. Martina Ferencová, PhD.

Department of Marketing and International Trade

Faculty of Management, University of Prešov in Prešov

Ul. Konštantínova 16, 080 01 Prešov, Slovakia

phone: +421(0)51 7470 606

E-mail: mferencov@gmail.com

Tourism Destination Branding: A Competitive Marketing Strategy

Marica Mazurek

Former Teacher Assistant University of Waterloo, Ontario, Canada

Abstract

The growing number of new tourism destinations in the globalizing world and the changing preferences of visitors are forcing tourism destinations to change their management and marketing strategies. One of the most effective marketing strategies, used for the strengthening of tourism destination competitiveness, is branding.

This paper seeks to refine and enhance the definitions of destination branding, summarizes the impact of branding and innovations on destinations, and sheds light on the importance of creation of partnerships in destinations by envisioning new concepts of co-operation in tourism destinations with a goal to create a positive image of a destination.

Key words

destination branding, competitiveness of tourism destinations, image, positioning, differentiation, partnerships

1. The complexity of tourism destination branding

A well developed brand means an easily recognized and positive grouping associated features selected to represent the most marketable aspects of a place. Symbols and image play a fundamental role in the destination building process (Beirman, 2003; Morgan, Pritchard&Pride, 2004; Pike, 2002; Trauer&Ryan, 2005, Marzano, 2006); however, branding means more than creation of names, symbols, and logos as visual perception because “physical space and physical attractions are just elements of the destination that the tourists interpret and combine in their mental world” (Franzen&Bouwman, 2001). Successful brands create emotional relations, and image is a powerful tool.

2. Image creation

The concepts of tourism destination image have been extensively studied by different authors, e.g., Echtner and Ritchie (1993), Gartner (1989), Goodrich (1978), Leisen (2001) etc. Henderson (2006) states that “image is a

critical factor in promotion strategies, and all places have images... the concept of image is multidimensional with cognitive and affective spheres, and has been defined as an amalgam of the knowledge, feelings, beliefs, opinions, ideas, expectation and impressions that people have about a named location.” Creation of brand image and brand identity requires a consistent and systematic process of positioning and differentiation.

3. Positioning and differentiation

Branding of destinations includes identifying meaningful images of those destinations and prompting emotional visitors’ reactions; however positioning means using these images to position each destination against the competitor destinations. Choosing and implementing an effective positioning strategy creates a competitive advantage. Positioning and branding are interrelated, and Plog (2004) states that “without good branding even the best positioning strategies can fail”. Positioning is strongly interrelated with differentiation concepts. Uniqueness means creation of a strong or rich brand and are helpful in the creation of awareness. The positive experience and image could be achieved through collaboration and partnerships.

4. Branding and creation of partnerships

Cohesiveness and co-ordination for example in building and maintaining a consistent positioning strategy is not easy to pursue, but without common vision and synchronization each stakeholder can see different position or follow different goals. For this reason, as Fayal et al. argued (2006), “recognizing that collaboration is likely...the *sine qua non* for successful destination marketing”. Creation of partnerships in destinations improve competitiveness and relationship of visitors to destinations, and consequently enable implementation of effective marketing and branding tools.

5. Summary

The paper discussed some concepts of destination branding and impacts of new approaches to branding. Communication process through selling “image” of destinations could be more powerful through co-operation which underlined some discussion in the paper. Marketing strategy, combining the offer of tangible products and predominantly intangible services by using strong segmentation and communications’ means, and especially by creating emotional attachment with visitors, forms strengths of successful destinations. Such tourism destinations do not hesitate to revive, and create attractive offer at the right place, in the right time, to the right customer, and in the right way.

Branding is like choosing a friend, it is based on everybody's choice and expectations, and many destinations become friends for the whole life.

Bibliography

1. Beirman, D. (2003). *Restoring tourism destination in crises: A strategic marketing approach*. Wallingford, UK: CABI.
2. Echtner, C. M. & Ritchie J. R. B. (1993). The measurement of destination image: An empirical assessment. *Journal of Travel Research*, Vol. 31, 3-13.
3. Fyall, A., Callod, Ch. & Edwards, B. (2003). Relationship marketing – The challenge for destinations. *Annals of Tourism Research*, 30 (3), 644–659.
4. Fyall, A., Garrod, B. (2005). *Tourism Marketing: A Collaborative Approach*. Channel View Publications, Clevedon. In: Fyall, A. (2006) eds. *Emerging destination management status: perspectives from England. A Conference "Cutting Edge Research in Tourism – New Directions, Challenges and Applications"*. School of Management, University of Surrey, United Kingdom, 6–8 June 2006.
5. Gartner, W. & Konecnik, M. (2007). Customer – Based Brand Equity for a Destination. *Annals of Tourism Research*, Vol. 34 (2), 400-421.
6. Goodrich, J. (1978). A New Approach to Image Analysis through Multi-Dimensional Scaling. *Journal of Travel Research*, 16 (3), 3-7.
7. Henderson, J. (2000). Uniquely Singapore? A Case study in Destination Branding. *Journal of Vacation Marketing*, Vol. 13, 3, 261-274.
8. Kotler, P, Armstrong, G. (1991). *Principles of Marketing*. Englewood Cliffs, NJ: Prentice Hall, Inc.
9. Leisen, B. (2001). Image Segmentation: The Case of Tourism Destination. *Journal of Services Marketing*, 15 (1), 49-66. In: Henderson, J. (2000). Uniquely Singapore? A Case Study in Destination Branding. *Journal of Vacation Marketing*, Vol. 13, 3, 261-274.
10. Marzano, G. (2006). Relevance of Power in the Collaborative Process of Destination Branding. *11th Annual Conference on Graduate Education and Graduate Student Research in Hospitality and Tourism*, 5–7 January, 2006, Seattle, USA.
11. Morgan, N.L., Pritchard, A. & Piggott, R. (2003). Destination Branding and the Role of the Stakeholders: The Case of New Zealand. *Journal of Vacation Marketing*, 9, 285.
12. Morgan, N.L., Pritchard, A. & Pride R. (1999). *Destination Branding: Creating the Unique Destination Position*. Oxford: Butterworth-Heinemann.
13. Pike, S. (2004). *Destination Marketing Organizations*. Elsevier: Oxford.
14. Pike, S. (2005). Tourism Destination Branding Complexity. *Journal of Product Brand Management*, 14 (4), 258-259.

15. Pike, S., Ryan C. (2004). Place positioning Analysis through a Comparison of Cognitive, Affective and Cognitive Perceptions. *Journal of Travel Research*, 42 (May), 333-342.
16. Plog, S. (2004). *Leisure Travel: A Marketing Handbook*. Upper Saddle River, NJ: Prentice – Hall.

Contact

Ing. Marica Mazurek
Bernoláková 27
974 05 Banská Bystrica
E-mail: marica0011@yahoo.ca

Business Via Google – New Possibilities and the Future

Martin Mudrik – Richard Fedorko

University of Prešov in Prešov, Faculty of Management

Abstract

This article presents Google Inc. as the currently most successful company in the business of internet surveys and advertising. It traces the history of the company, and discusses the advantages that Google offers to its users in general, and to corporate clients in particular. The article also ascertains the dominant position of the company in the field of advertising, finance and information processing, and attempts to forecast Google's future strategies and development.

Key words

Google, internet advertising, AdWords

Introduction

During the whole course of its history, humankind lacked a technology that would allow anyone to access relevant information in a simple and speedy fashion for free. This has changed with the advent of Google Inc.

Google is the best, the largest and the most frequently used internet search engine due to its speed, accuracy and ease of use. The key to Google's success was the ability to foresee that information search would become the key internet feature. From the user's point of view, the most important websites are those that can hyperlink to other websites. To obtain the most relevant results, Google Inc. has developed its PageRank technology, which is essentially a link analysis algorithm. It has thus become possible to assess the relative reputation of a particular website in comparison to other websites [13].

1. Google Inc. – a finance and advertising giant

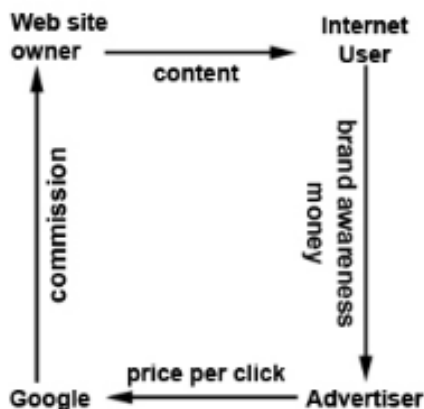
Google Inc.'s 85.78% market share has generated a profit of \$1.84 billion in the second quarter of 2010 [4]. This marks a 24% growth relative to an earlier comparable period. It is important to note that most of this profit comes from advertising: more precisely, 97% of the profits are generated by advertising sales based on two web applications, AdWords – an ad service, and AdSense – a service for website owners and webmasters.

AdWords offers pay per click (PPC) advertising and site-targeted advertising for both text and banner ads. The AdWords program includes local, national, and international distribution. Google's text advertisements are short, consisting of one headline and two additional text lines. Advertisers in AdWords select the words that should trigger their ads and the maximum amount they will pay per click. For example when a user searches Google's search engine on www.google.com or the relevant local/national Google server e.g. www.google.sk for Slovakia, ads for relevant words are shown as „sponsored links“ on the right side of the screen, and sometimes above the main search results [9].

The success of AdWords is based on the wealth of information that Google Inc. continuously amasses and catalogues. Google Inc. then uses this data in the distribution of advertising to target customers. Thanks to this approach, it is able to develop innovations that have a potential to attract a large group of users.

Google AdSense has been developed as a complement to AdWords, which allows website owners to generate revenue by displaying advertisements. This advertising product is targeted to virtually all website owners (however, there are some exceptions when it comes to restricted content). Currently, AdSense is available in 32 languages, including Slovak. Google chooses the advertisements based on website content and user demographics, so that they are well-targeted and influence a large number of viewers. It is thus unlikely that a website dedicated to automobiles will display an ad for healthcare support or underwear.

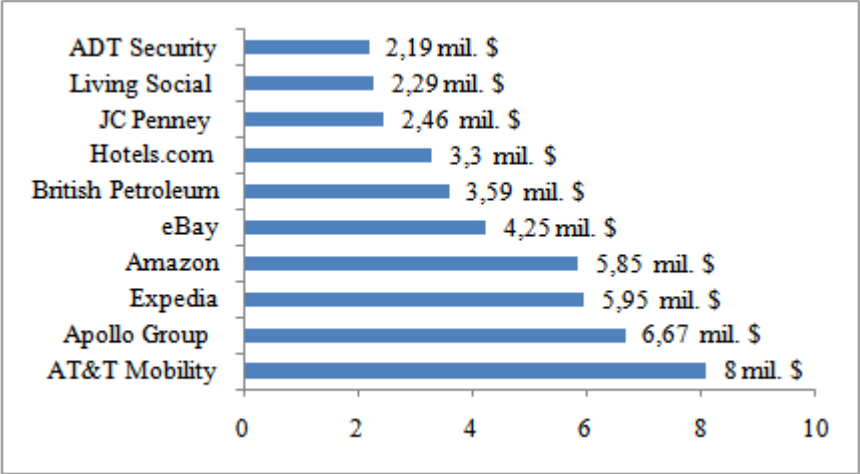
Fig. 1: Cash flow in AdSense



Source: www.lupa.cz/clanky/zaciname-vydelavat-s-adsense

Picture 1 shows that it is an interconnected system that benefits both parties – website owners, by earning them profit, and advertisers, by attracting potential new customers. The popularity of Google AdWords can be attested by the fact that its top 10 clients spent more than \$40 million on advertising in June 2010 alone.

Fig. 2: Top 10 companies with the highest Google AdWords expenses in June 2010



Source: <http://mashable.com/2010/09/06/brand-spending-google>

The popularity of Google’s search engine and the omnipresence of its advertising space, besides earning direct revenue from advertising, can be used to raise awareness or realize public relations campaigns. For example, during the Gulf of Mexico oil spill, British Petroleum has used advertisements in search results to convey information about the spill clean-up.

Fig. 3: The use of Google advertisements in public relations



Source: *Google.com*

2. Google's offer for its corporate clients

Google Inc. focuses its activities also on the corporate world. It has realized that companies need a low-cost, reliable and safe solution for sending messages and communicating, which would support their business without any distractions [6]. For this reason, Google Inc. has created a service package called Google Apps, which is essentially a package of applications most commonly used by companies in their everyday activities.

The main competitive advantage of Google Apps is its price, which constitutes about 1/3 of the price of its competitors' products. Other benefits, designed to attract customers, include a 99.9% accessibility guarantee, 25 GB storage space for each employee, and data safety guarantee [7].

The main difference between Google Apps and standard office packages (e.g. Microsoft Office, Open Office) is the way of software acquisition. Google offers its services over the internet, thus making the purchase of software unnecessary, which leads to a further reduction in financial and human resources. The users are not required to take care of the software, as Google Inc. itself provides this service. The latest package, Google Apps Premier Edition, contains these services:

- **Gmail for Business:** E-mail with 25 GB of storage space (approximately 50x more than is usually provided) for each address, with a search engine and integrated chat.
- **Google Calendar:** Coordination of meetings and company events via calendars with an option of sharing.
- **Google Docs:** Users can create documents, tables and presentations while working together in real time internet browser windows.
- **Google Groups:** Employees can create and administrate groups without help from their IT department. The application enables them to share documents, calendars, websites and videos with the whole group, not just individual users. It also includes an option to regulate the access of individuals to particular content.
- **Google Sites:** A quick and simple way of designing and publishing websites within the user's domain, using a website design tool based on WYSIWYG (thanks to this tool, the user is able to see the exact outcome of his/her work).
- **Google Video:** Allows users to share videos, increases user participation and enhances communication (e.g. internal training, corporate announcements) [8].

Currently, over 20 million customers in more than 2 million companies use the Google Apps package. It is used not only by corporations, but also by universities worldwide [11].

This approach can change the way we view the office and allow us to relocate work from the office environment onto mobile devices. This can mean substantial changes in the position of Microsoft with its traditional understanding of dominance in the market of office applications. In all probability, companies might want to modify their information systems and cut costs by implementing Cloud Computing. During the financial crisis, this could mean a significant reduction of costs.

The question is whether the information systems in most companies generate enough revenue to sustain themselves, and what the possible future trends are. In most cases, their implementation costs have run over the budget by e.g. requiring a new job to be created [1]. Google Apps partially eliminates this problem.

3.What can we expect from Google Inc. in the future?

Google Inc. is a company that continuously develops new internet products and incessantly improves its existing applications.

One of its latest projects focusing on home entertainment is e.g. Google TV. This enables the users to easily search all the multimedia content they have access to, by using a simple search application directly on their TV screen. This means that on Google TV you can search your own downloads, photographs, music, YouTube videos, services such as Netflix or Amazon On Demand, websites, or Facebook profiles. The Google platform is based on its own software – Android operation system, and uses Chrome as a web browser. Its window will allow the customer to use applications from the Android Market e-shop, focusing primarily on mobile phones [3].

This project opens a new segment of entertainment content aggregation. Current users increasingly watch their favourite series or other content on stream services like YouTube, or on other home online services. This trend shows quite clearly that traditional television is being substituted by online services. The goal of Google Inc. is to tap the potential of these popular services and transfer them into our living rooms.

Another announced project, which could be a very strong weapon in the competitive struggle on the field of online music sales, is the launch of Google's own online music shop. Thus Google Inc. will become a strong competitor for Apple iTunes, who currently boasts a 70% share of the US market [2]. Google Inc. plans to link the music content with its search engine.

This service should benefit from the interconnection with Android platform, which will allow users to stream music directly to their portable devices [14].

Google Inc. considers social networks to be one of the main pillars of the future online world. For this reason, it has decided to switch its focus away from its less successful services, such as its social networks Orkut (2004) and Google Buzz (2010). It plans to exploit the phenomenon of social networks by creating a new one, preliminarily called GoogleMe.

This social network should probably expand and include all the “social” elements Google Inc. already offers, including the profiles, activity tracking, and IM (Instant Messaging) communication. These should be able to support social applications [10].

Providing entertainment should be another trait of Google’s social network, as is evident from the negotiations with a number of companies that develop social games for Facebook, the largest social networking site. Google Inc. has reportedly already invested between 100-200 million dollars in Zynga, producer of a number of highly successful massive multiplayer internet games [5].

The main reason for Google’s initiative to enter the social networking market is the fact that its main competitor in the advertising market is Facebook, which manages its advertisements itself. Facebook reached a milestone of 500 million users in July 2010 [15]. It will therefore be interesting to watch Google’s attempt to position itself in the social networking market.

Summary

Google Inc. is a company that continuously develops new internet products and incessantly improves its existing applications. Thanks to a large amount of data it has an excellent knowledge of current trends in various markets. Google Inc. uses this information to find the target consumers for its advertisements, which constitute its main source of revenue.

This leads to the conclusion that Google Inc., thanks to its advertising services, is increasingly becoming an integral part of the marketing world in Slovakia and abroad, which is attested by the financial statement of the company. This trend can be expected to continue, and with the development of new services, Google’s advertising business can be expected to grow. It will be interesting to find out in what way the marketing specialists will use this tool in directly increasing their revenues or managing their public relations. For this reason, it is important to continue this research.

Assessing Google’s future strategies is not easy. Based on the currently available information, we may suppose that, just the way it had taken over the

online advertising market, it is planning to take over mobile advertising. This offers quite a few exciting opportunities. At the same time, it will try to become a major player in the social networking market.

Since Google Inc. has been for some time focusing not only on internet services, it is quite likely that in the future we will be able to work, watch TV, make telephone calls, chat, or spend our free time using only the products of this company. Integrating all these possibilities within one company could bring about endless new opportunities, especially thanks to the seamless compatibility of such products.

Bibliography

1. ALCNAUER, J.- BROŽ, M. 2010. Informační systémy a minimalistické přístupy v době krize. In *Dnešné trendy inovácií* Trenčín: DTI 2010. pp.7-14 ISBN 978-80-89400-12-6
2. ANKENY, J. 2010. iTunes now 70% of digital music sales, but Amazon growing. In *Fierce Mobile Content.com* [online]. 2010, [cit. 2010.09.11] Dostupné na internete: <<http://www.fiercemobilecontent.com/story/itunes-now-70-digital-music-sales-amazon-growing/2010-05-27>>
3. AUST, O. 2010. Google propojí web s televizí, na televizoru půjde prohlédat pořady, YouTube, fotky i Facebook. In *Mediář.cz* [online]. 2010, [cit. 2010.09.11] Dostupné na internete: <<http://www.mediar.cz/televize/google-propoji-web-s-televizi-na-televizoru-pujde-prohledat-porady-youtube-fotky-i-facebook/>>
4. ČTK Google zvýšil tržby i zisk, odhady analytiků ale nenaplnil. In *Mediálne.sk* [online]. 2010, [cit. 2010.09.11] Dostupné na internete: <<http://medialne.etrend.sk/internet-monitoring/google-zvysil-trzby-i-zisk-odhady-analytikov-ale-nenaplnil.html>>
5. DSL.SK Google chce údajně vstoupit do hier, webových. [online]. 2010, [cit. 2010.09.11] Dostupné na internete: <<http://www.dsl.sk/article.php?article=9427>>
6. GOOGLE APPS Frequently asked questions. [online]. 2010, [cit. 2010.09.12] Dostupné na internete: <<http://www.google.com/apps/intl/en/business/faq.html>>
7. GOOGLE APPS Google Apps helps businesses work smarter. [online]. 2010, [cit. 2010.09.12] Dostupné na internete: <<http://www.google.com/apps/intl/en/business/details.html>>
8. GOOGLE APPS Reliable, secure online applications wherever you work. [online]. 2010, [cit. 2010.09.12] Dostupné na internete: <<http://www.google.com/apps/intl/en-GB/business/index.html>>
9. GOOGLE ADWORDS Google Launches Self-Service Advertising Program. [online]. 2000, [cit. 2010.09.12] Dostupné na internete: <<http://www.google.com/press/pressrel/pressrelease39.html>>
10. KOVÁČ, M. 2010. Google zrejme kuchti konkurenta Facebooku. In *Živé.sk* [online]. 2010, [cit. 2010.09.11] Dostupné na internete:

<<http://www.zive.sk/google-zrejme-kuchti-konkurenta-facebooku/sc-4-a-289282/default.aspx>>

11. KRASEK, J. 2009. Google Apps prinesú aj videokonferencie. In *ITnews.sk* [online]. 2009, [cit. 2010.09.12] Dostupné na internete:
<<http://www.itnews.sk/spravy/internet/2009-11-06/c130120-google-apps-prinesu-i-videokonferencie>>
12. PINGDOM.COM Google facts and figures (massive infographic). [online]. 2010, [cit. 2010.09.11] Dostupné na internete:
<<http://royal.pingdom.com/2010/02/24/google-facts-and-figures-massive-infographic/>>
13. STROSS, R. 2009. Planeta Google. 1. vyd. Brno: Computer Press, 2009. s. 27. ISBN 978-80-251-2412-3
14. VOZÁROVÁ, E. 2010. Konkurent iTunes od Google príde zrejme do Vianoc. In *eTREND.sk* [online]. 2010, [cit. 2010.09.11] Dostupné na internete:
<<http://medialne.etrend.sk/reklama-spravy/konkurent-itunes-od-google-pride-zrejme-do-vianoc.html>>
15. ZUCKERBERG, M. 2010. 500 Million Stories 2010, [online]. 2010, [cit. 2010.09.11] Dostupné na internete:
<<http://blog.facebook.com/blog.php?post=409753352130>>

Contacts

Mgr. Martin Mudrik
Faculty of Management
Department of Marketing and International trade
University of Presov in Presov
E-mail: martin.mudrik.1982@gmail.com

Mgr. Richard Fedorko
Faculty of Management
Department of Marketing and International trade
University of Presov in Presov
E-mail: richard.fedorko@gmail.com

Internet as the New Mass Media – Traditional and New Forms of Internet Advertisement

František Pollák – Peter Dorčák

University of Prešov in Prešov, Faculty of Management

Abstract

In today world which we can consider as the age when information technology and internet significantly weaken traditional form of communication and promotion, corporations as well as customers are in dilemma with the question in which way near future will take course in demand for obtaining information. Nowadays effective advertising campaign is demanding smarter concept in comparison to the traditional method of advertising. The new advertising not only carries „advertising message“, moreover it involves integration of communication channels to impact the largest possible part of the targeted group. Aim of this article is evaluate traditional and new forms of promotion in the environment of internet. Additionally we have aim to demonstrate the fact that the traditional forms of internet advertising in known forms will be under market pressure; Thus traditional internet advertising will be enriched by fusion of traditional forms of promotion from other „mass media“ and fresh advanced forms created right for this new mass media. It is considered that the internet is becoming brand new kind of mass media via integrating essence of broadcast and printed media.

Key words

Internet, promotion, PR, weblog, BTL

Internet as New Mass Media

The first trial of incorporating internet as new medium for promoting purposes in form of advertisement is dated as far as 1994. In this year Canter & Siegel Law Firm was probably the very first company who decided promoting law firm's advisory services by posting out text messages to about 7000 discussing forums across the global internet computer network. Response was enormous.

Year 1994 can be marked as the milestone in internet advertisement to the vast global audience of potential customers. Up to the form as it is known today. Some researchers are convinced in stating that internet cannot reach

parameters of mass media in relationship to other media such as television, radio, newspaper. They support their claim on findings that internet advertisement does not possess potential to reach out specifically „targeted“ population at the present. On the other hand, based on the ballistic introduction of information systems, new applications and services for people to connect, it is possible to predict trend where market is heading in the near future.

Nowadays internet counts for more than one billion users and records are broken regularly in strong growth in terms of its site visitors either to websites or portals. Increasing sharing and driving more traffic can be seen all over the Web, especially during the important social events such election or in momentous sport occasions. Based on information provided by Akamai, the leader in web application acceleration and performance, the opening day of the 19th World Soccer Cup sets the record in hitting the highest point for traffic volume per second for news sites known up to date.

(<http://www.akamai.com/html/technology/nui/news/index.html>).

The Akamai- Web traffic meters measurements for news portals, recorded global climbing to new record high, reaching 12.1 million visitors per minute. Web traffic culminated around 6 p.m. CEST, shortly after South Africa-Mexico opening game. (<http://www.dsl.sk/article.php?article=9299>).

It fact, the largest world news portals such as BBC, New York Times, and ESPN are considered to be the most overloaded with respect to visitors request next to search engines and social networks.

Trend is leading towards fusion of recent media into one „mega“ mass media. The classical forms of internet advertisement in known forms will be under market pressure enriched by fresh advanced forms utilizing traditional elements of the other „mass media“ and fresh advanced forms brought by technology in applications and services for people to connect in new digital mass media.

Comparison of Traditional Media vs. Internet

J. Cezar claims that intermedia comparison put main categories within media into competitive evaluation and boldly highlights its advantages and disadvantages. Cezar defines that each media carries its capacity within. Causality of overloaded medium beyond its carrying potential leads into its undervaluation; thus consequently resulting in missing to reach out targeted customers. (Cezar, 2007)

Media	Advantage	Disadvantage
Television	<ul style="list-style-type: none"> - audio-visual media - audacity and visual brand image dynamization 	<ul style="list-style-type: none"> - expensive broadcast TV - expensive TV shot production
Outdoor	<ul style="list-style-type: none"> - reaching out vast population - widescreen ability 	<ul style="list-style-type: none"> - limitation to carry out complex message - high overhead expense for widescreen campaign
Internet	<ul style="list-style-type: none"> - modernism - precision in targeting 	<ul style="list-style-type: none"> - limited access to media - inadequate respect

Table 1: Intermedia comparison.

Source: [personal findings]

Traditional Forms of Internet Advertisement

Contextual advertising- Philosophy of contextual advertising is based on providing users on their keywords query with search results displaying relevant text messages. Therefore, most portals should posses search engine function. In this case user can effortlessly scroll and view through context of the particular page or through database of pre-indexed several layers of content description. This is allowing efficient content-based retrieval on portal or search engine scheme respectively. Function of contextual advertising system is utilized for commercial applications in the way that the space in displaying search results is divided into organic space and space dedicated for commercially oriented results. Organic search results are free of charge. Commercial paid content is built up by particular advertisement messages from contextually relevant advertising industry. Advertisers can utilize the provided space linked to search results of particular keywords based on level of defined sophisticated description by them. Beside particular search engine, contextual advertisement can be displayed in the article based on relevancy of the keywords in the user's query. Content of this page is then analyzed and assessment is provided on tracking response of relevant keywords towards the content of the page by user.

Banner advertisement – (English „a flag“, „a poster“, in Slovakian described as well as an advertising stripe). This type of online advertising entails embedding an advertisement into a relevant web page. In principle, banner advertisement is constructed usually as a long, narrow wing of image often utilizing animation and audio to maximize visibility. It is usually displayed near by the corner of the screen. Banner ad is one of the most employed forms of advertisement on the Internet.

(<http://cs.wikipedia.org/wiki/Banner>)

The very first profitable banner advertisement had been displayed on October 25, 1994. HotWired, the first e-commercial magazine, originated in 1994, was in search for innovative approach to increase its profit. AT&T telecommunication corporation is considered as the first web HotWired "banner" client. The banner size was 468*60 pixels, dimension unknown to that time; (later on this size had become standard). The first banner ad was relatively simple and did not incorporate any animation. History is recording AT&T banner as a very first mid-size banner placed on the commercial web site. (<http://vseohw.net/clanky/historie/worlds-first-svetove-prvni>)



Fig. 1: The first banner ad in the world.

Source: [<http://vseohw.net>]

New Forms of Internet Advertisement

BTL (Below the Line) - Below the line marketing campaign presents advertisement targeted directly at POS (point of sale), direct marketing, promotion and sponsoring.

(<http://www.popai.cz/lexikon-vyrazu/index.php?id=17>)

PR (Public Relations) articles can be considered as one kind of textual advertisement, which has no any connection with search engine or keywords. In essence, this is advertisement in the form of PR article written by sponsor who is paid by client requesting publication of article. This paid assortment of announcement is suitable for all types of products and services, since it is less aggressive on the targeted users than banner advertisement. Portal viewers perceive the advertising as trustworthy, given that it is presented in form of article. We can include resourceful section of textual advertising with direct connection between written story and the interest of their readers to this type. Ingenious consulting and advisory articles of promoting contracting client's products and services can be shown to the right user who is searching for

products or services in interest. In this form client's brand, quality of product or services is gently imprinted into subconscious of the reader. This paid assortment of announcement which appears as text differs from other kinds of internet advertising, for example banner displays running and depicting several projections. Opposed to untargeted advertising, the wave of textual advertising requires diligent preparation for each step towards execution and is demanding to be interactive in ongoing client's requests and suggestions. (<http://www.webway.sk/pr-clanky>)

Weblog (fusion of English meaning of web log – free meaning: web diary) concisely and informally, blog is web application containing chronologically displayed contributions. Author is called blogger (Slovakian grammar blogger) interconnected in blogging community and their social network in blogosphere. (<http://sk.wikipedia.org/wiki/Weblog>)

Blogging as a form of e-communication can be described by following characteristics:

- Blogging is considered one of the most challenging forms to the dated mass communication system, fusion of elements connecting new possibilities of e-communication and free access to media at the same time.
- Blog is unconventional source of information, it is not influenced by pressure of financial group or force imposed by politicians.
- Blog is starting to function as tool for reaching the equilibrium between open source citizen journalism and associated press.

Following picture depicts themes discussed on the internet blogging.

General Subject: 20%
Politics: 19%
Personal Subject: 9%
Gossip: 8%
News: 6%
Others: 17%
Technology: 21%

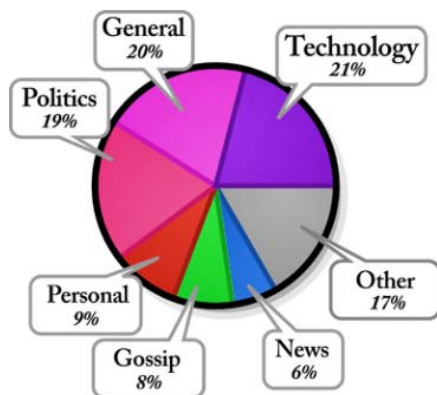


Fig. 2: Subjects discussed on the internet blogs.

Source: [www.jimkukral.com]

PR (Public Relations) Campaign - This type of advertisement is not intended for direct sale by the advertiser in the printed article. The focus is on showcasing professionalism leading towards establishing trust with the potential client for the advertised offering. This set of messages forms the main thrust of the communication in such way that if client is seeking the particular product or services, it would be seeking it just from this reliable highly professional advertiser. PR should provide the credentials that create credibility in the advertising. This type of advertisement has long run features. It should be well planned to introduce advertising articles in regular ongoing intervals, thus creating the chain of series of continuous openness, investigation of multidimensional data and including any dimensions that are receptive in others. Those advertising articles should posses features of expert opinion and should offer applicable information.

	Advertisement	Public relations
Primary Goal	Sales	Planning and establishing positive relationships
Subject	Product, services	Business intelligence about subject
Targeted Group	Customer, opinion, leaders	Public, management, corporations...
Orientation	Market	Outreach and integrate wide environment towards inside and towards outside

Table 2: Advertisement vs. Public Relations.

Source: [Horňák, Nová abeceda reklamy 2003]

Utilizing Public Relations within a dimension of integral communication can not only enhanced acceptance of advertisement in all its complexity but also in many instances advertisement is wholly substituted by PR. There is a tendency in lowering expenses and increasing effectiveness of influence by implementing long term strategic plan against "inflation" of traditional advertisement.

„PR priority is not only in enhancing effectiveness on impact of advertisement but also in some cases PR is direct substitute for advertisement. Advertisement and PR are each having its own particularities as a part of marketing communication. Despite that, we estimate that they are interconnected and in some cases can even be substituted“ (Horňák, 2003) „Most companies spend way too much money trying to build brands with advertising (when they should be using that money for PR) and way too little

money defending their brands with advertising after they have been built.”(A. Ries, L. Ries, 2004).

Summary

Internet as mass media is gradually integrating „other“ mass media which not long time ago were considered its major competitor. Nowadays, there is nothing unusual if user is multitasking by utilizing simultaneously TV, radio or reading his/her favorite magazine. From the marketing point of view, it is essential to incorporate complexity not only into creation of effective communication message but also into selection of the most effective communication channel. As we mentioned in the article, each communication channel has its own capacity. Causality of overloaded medium beyond its carrying potential leads into its crush. It is necessary to spread „message“ over several communication channels for targeting right audience the most possible mass it can be. Internet counts for the majority as the most effective supplementary channel. There are several forms that can be utilized to reach out... We can employ traditional form of internet advertisement such as e. g. Banner ad or PPC, or some of the more modern BTL forms such as e. g. PR articles or weblog. There is tendency predicting that there is a moderately high degree of overlap or similarity between the niches of the internet and the traditional media. Prospect trend in internet dimension is providing users' satisfaction with all forms of promotion known from any of the traditional media. This is mostly influenced by integration of present media into one „mega“ mass media. This fact is one of the largest opportunities niche dimension for today marketers.

Bibliography

1. Akamai. [online]. [cit 2010-06-22]. Available on the Internet: <http://www.akamai.com/html/technology/nui/news/index.html>
2. DSL.sk [online]. [cit 2010-06-22]. Available on the Internet: <http://www.dsl.sk/article.php?article=9299>
3. BLAŽKOVÁ, M. 2005. *Jak využít internet v marketingu*. Praha: Grada Publishing, 2005. 156 s., ISBN 80-247-1095-1
4. CÉZAR, J. 2007. *I zážrak potrebuje reklamu*. 1. vyd. Brno: Computer press, 2007. 199 s., ISBN 978-80-251-1688-3
5. *Historie*. [online]. 8. december 2007. [cit 2009-03-10]. Available on the Internet: <http://vseohw.net/clanky/historie/worlds-first-svetove-prvni>
6. HORŇÁK, P. 2003. *Nová abeceda reklamy*. Bratislava: Central European Advertising, 2003. 300 s., ISBN 80-967950-5-8

7. *Lexikon výrazů*. [online]. [cit 2009-03-14]. Available on the Internet: <http://www.popai.cz/lexikon-vyrazu/index.php?id=17>
8. MATÚŠ, J. a kol. 2005. *Nové trendy v marketingu*, In: zborník z medzinárodného odborného semináru, Fakulta masmediálnej komunikácie Univerzity sv. Cyrila a Metoda v Trnave, Trnava, 2005. 149 s. ISBN 80-89220-21-5
9. NONDEK, L., ŘENČOVÁ, L. 2000. *Internet a jeho komerční využití*. Praha: Grada Publishing, 2000. 117 s. ISBN 80-7169-933-0
10. *PR články*. [online]. [cit 2009-03-14]. Available on the Internet: <<http://www.webway.sk/pr-clanky>
11. RIES, A., RIES, L. 2004. *The Fall of Advertising & The Rise of PR*. Harper Paperbacks, 2004. 320 s. ISBN 978-0060081997
12. *Témy diskutované na internetových blogoch*. [online]. [cit 2009-02-20]. Available on the Internet: <http://www.jimkukral.com/blog/>
13. *Weblog*. [online]. [cit 2009-03-10]. Available on the Internet: <<http://sk.wikipedia.org/wiki/Weblog>>

Contacts

Mgr. František Pollák
The University of Presov in Presov
Faculty of Management
Konštantínova ul. 16, 080 01 Prešov, Slovakia
E-mail: frank.pollak@acuityeng.com

PhDr. Peter Dorčák, PhD.
The University of Presov in Presov
Faculty of Management
Konštantínova ul. 16, 080 01 Prešov, Slovakia
E-mail: m@rketing.sk

Cluster Analysis of Students in Market Segmentation Based on Selected Motivation Factors in Educational Marketing

Róbert Štefko – Eva Litavcová – Sylvia Jenčová

University of Prešov in Prešov, Faculty of Management

Oľga Ivančová

University of Prešov in Prešov, Faculty of Management, Brokernet, s.r.o.

Abstract

The study deals with the analysis of issues devoted to defining the value of education in terms of selected motivational factors. In the marketing of an educational organization is very important the students' market segmentation, especially dividing the market into groups based on common motivational factors. The aim was to find an optimal model that describes a data sample with regard to focus, and found the model to divide respondents into clusters. Then describe the context, what are the model specified clusters of respondents with the demographic and psycho-social characteristics. The segmentation process enables the marketing effort to be very effective for every university, or another educational institution in their target marketing.

Key words

Cluster analysis, educational marketing, market segmentation, motivation factors, target marketing.

Introduction

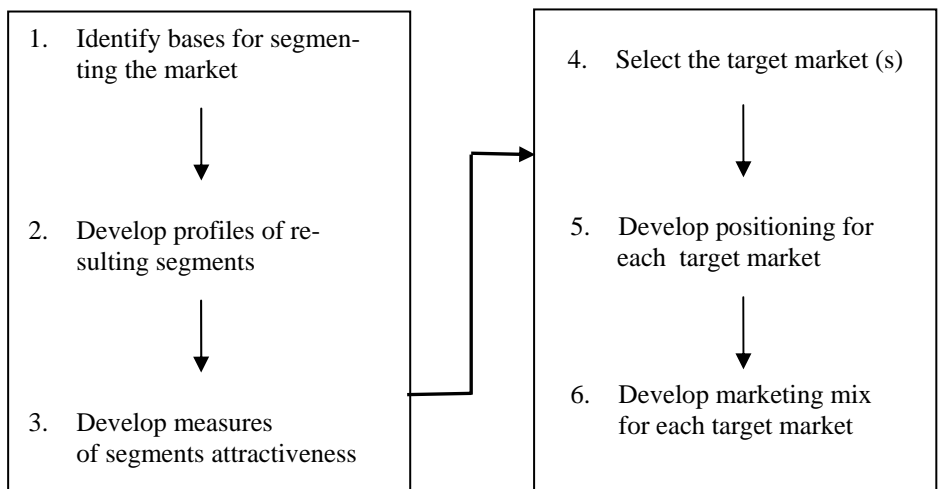
In the educational marketing the institution distinguishes among the different segments that make up the market, chooses one or more of these segments to focus on, and develops market offers specifically to meet the needs of each selected target market. The segmentation process enables the marketing effort to be very effective for every university, or another educational institution, we often use the term “target marketing”. Many universities adopt also product-differentiated marketing approach.

The target marketing focuses the educational institution on one or more market segments of students. Cluster analysis can be helpful for marketers to define the market segments and target groups.

As is well known, a cluster is a group of relatively homogeneous cases or observations, objects in a cluster are similar to each other and they are dissimilar to objects outside the cluster, particularly objects in other clusters. Concerning the effectiveness of target marketing, for example, as Kotler, P. and Fox, Karen F.A. (1985) have mentioned, the target marketing can provide at least three benefits:

1. The educational institution can spot market opportunities better when it is aware of different segments and their needs. By monitoring these segments, the institution can note those whose needs are not fully met by existing offers.
2. The educational institution can make finer adjustments of its programs to match the desires of the market. It can interview members of the target market to determine their specific needs and desires and how the existing educational programs should be changed.
3. The educational institution can make finer adjustments of its prices, distribution channels, and promotional mix. Instead of trying to reach all potential consumers with a “shotgun” approach, the institution can create separate marketing programs aimed at each target market (called a “rifle” approach).

Fig. 1: Steps in market segmentation and target marketing



Source: Kotler, P. and Fox, Karen F.A. (1985)

By means of cluster analysis we contributed to 1st step in market segmentation – to identifying bases for segmenting the market. It is one of the most important steps of the whole process.

Method

Respondents from the students of the Faculty of Management in Prešov have answered 17 questions concerning the definition of values of education in terms of motivational factors. Questions were identified by their order in the larger questionnaire, entitled "o34" to "o50". All respondents answered questions on five-point-Likert scale from negative to positive attitude. The data sample included 818 respondents' responses.

The research results were analyzed by SPSS program. To reduce dimensionality manifest variables factor analysis was used, which according to SPSS knowledgebase is "the best for interval variables, but it also works well with ordinal, and with dichotomous data. Cluster analysis based on factors was used to divide respondents into different segments. Categorical data analysis was used to find relationships between segments and other characteristics.

Results

After the initial analysis of descriptive statistics, cross-correlations and various factor solutions of the original 17 variables, both in terms of explaining the variability, in terms of the KMO statistics, were retained for further consideration 12 of them. Variability omitted variables, by finding the factor models, was always little explained. Also reliability analysis of the original 17 questions, confirmed the exclusion of most of the model eliminated questions. The original model with 17 questions in five extracted factors explained only 53.413% of the variability of original manifest variables, with five of the communalities of variables less than 0.5. However, the purified model from the five variables in it not fitting, explained, by five extracted factors with their own number greater than 1 to 70.341%, the variabilities of original manifest variables. Findings of Communalities, selected 12-ers of the variables, there were very favourable, the lowest achieved communality was 0.608. Analysis of the reliability of selected 12 variables, led to Cronbach alpha equal to 0.648.

By the 818 respondents and 12 variables, it was fulfilled the criterion ratio of number of subjects to number of variables more than 10. The best extraction method, selected by comparing the amount charged the variability of individual manifest variables, explained by discovered latent factors, was the method of main components (PCA). By the PCA-method are the factors generated as non-correlate linear combinations of manifest variables. By the selection of rotation and comparing of different rotated solutions it was confirmed that the most

appropriate rotation, in terms of interpretation, is the Varimax rotation, which minimizes the number of variables having high factor weights in more factors.

Keiser-Mayer-Olkin's test of the adequacy by the value of 0.629 confirmed the adequacy of the selected set of variables. Sphericity Bartlett's test ($\chi^2 = 2819.082$, d.f. = 66, sig = 0.000) has confirmed that the correlation matrix of considered variables is not the unit. Consideration of the factor weights (correlation coefficient between factor and variable - Figure 2) of the rotated solution gives a result given in Figure 2.

Factor F1 is saturated by variables o38, o43, o45, o49 (o38: graduating university is a guarantee of obtaining a good social status; o43: The university study of my friend family member has motivated me for my study in this university, the educational institution was "known" for me; o45: Studies on college offers a form of "fulfillment" and they are important for me in terms of my personal growth; o49: I suppose the graduated employment in my field of study in our region.). An appropriate name for the factor F1 is "ambition."

Factor F2 is saturated by variables o34, o41 (o34: For my study in the public university, I was motivated by effort to obtain a university degree; o41: studying at the university, student "extends youth".). An appropriate name for the factor F2 is „practicality“.

Factor F3 is saturated by variables o47, o48 (o47: After graduation I move abroad to work; o48: after graduation I move to another region in the Slovakia). An appropriate name for the factor F3 is "latitude".

Fig. 2: Factor weights

	Component				
	1	2	3	4	5
o34	,184	,879	-,003	-,011	,052
o35	-,014	-,034	-,028	,814	-,016
o36	,023	-,006	,022	-,025	,790
o37	,001	,006	-,065	,000	,785
o38	,846	,213	,066	,040	,008
o41	,132	,881	,046	,117	-,052
o43	,771	,134	,043	,043	,017
o44	,065	,129	,093	,761	-,010
o45	,873	,104	,042	,008	-,005
o47	,028	,013	,860	,040	-,018
o48	-,043	,027	,877	,027	-,029
o49	,772	-,023	-,165	-,012	,016

Source: own calculations in SPSS

Factor F4 is saturated by variables o35, o44 (o35: the study at the university will support further development of my knowledge and skills; o44: by studying at the university student "postpones" the searching for a job on

the labor market.). An appropriate name for the factor F4 is a "concern and human capital".

Factor F5 is saturated by variables o36, o37 (o36: the study at the university is a prerequisite for obtaining a good career; o37: graduating university is a guarantee of obtaining a higher salary.). An appropriate name for the factor F5 could be "money".

Acquired factor models thus led to extracting the value of education in terms of the five motivational factors: factor of ambition, factor of practicality, factor of latitude, factor of concern and human capital, and factor of money. Five factors, generated by model, were used as inputs to further analysis.

Fig. 3: The cluster distribution

	N	% of Combined	% of Total
Cluster 1	117	14,3%	14,3%
2	151	18,5%	18,5%
3	140	17,1%	17,1%
4	82	10,0%	10,0%
5	198	24,2%	24,2%
6	130	15,9%	15,9%
Combined	818	100,0%	100,0%
Total	818		100,0%

Source: own calculations in SPSS

The cluster analysis application, for the five extracted factors 818, divided respondents into six clusters. Percentage of respondents in each cluster is fairly balanced and it is listed in the Figure 3.

The cluster analysis algorithm works with the distances which must be uniform scale. That's why the standardized variables are entering into the cluster analysis algorithm. The principle of the analysis is the searching for similarities in the data sample based on distances between points in the multi-dimensional space. On the basis of appropriately selected rate for measuring distances among points, and appropriately selected algorithm, are looking for clusters of nearby points.

The assumption of independence of variables entering the cluster analysis has been followed, it is clear from their nature, as they are the product of the PCA algorithm from the previous analysis. The number of clusters found is the result of optimization algorithm used. In each found cluster is the centroid calculated, ie for each variable (factor here), the average of the respondents values who belong to a cluster. For each variable is a statistical test evaluated. It

tests whether the average is considerably higher, respectively lower, than the overall average for all respondents. Depending on which of variables and which direction are differing significantly from the overall centroid, we assess cluster. The cluster analysis, in each cluster, evaluates, which variables achieve significant values in positive direction, and which variables achieve significant values in negative direction. The same variable may occur in the description of many, or all clusters. Figure 3 are average values for each individual clusters in concrete factors. The significantly lower averages, than the average of overall centroid, are aligned to the left, significantly higher averages are aligned right. Averages, for which there is not a significant difference from centroid, are centralized in the cell.

From Figure 4 it is clear that a cluster 1 consists of strongly positive oriented respondents, focused on the ambitions, practicality, and money.

Cluster 2 are significantly not-ambition respondents focused exclusively on the strongly positive practicality.

Cluster 3 respondents are not aimed at significantly practicality with significantly positive concerns and human capital orientation and focus on the latitude - are headed by leaving their region.

Cluster 4 consists of positive ambitious respondents with concerns, with a significantly negative focus on the latitude and money.

Cluster 5 respondents are significantly positive in the factor of ambitions, concerns and money, and significantly negative in the factor of practicality and latitude. Cluster 6 respondents are significantly negatively different from the overall centroid in factor of practicality, latitude, and concerns with human capital orientation.

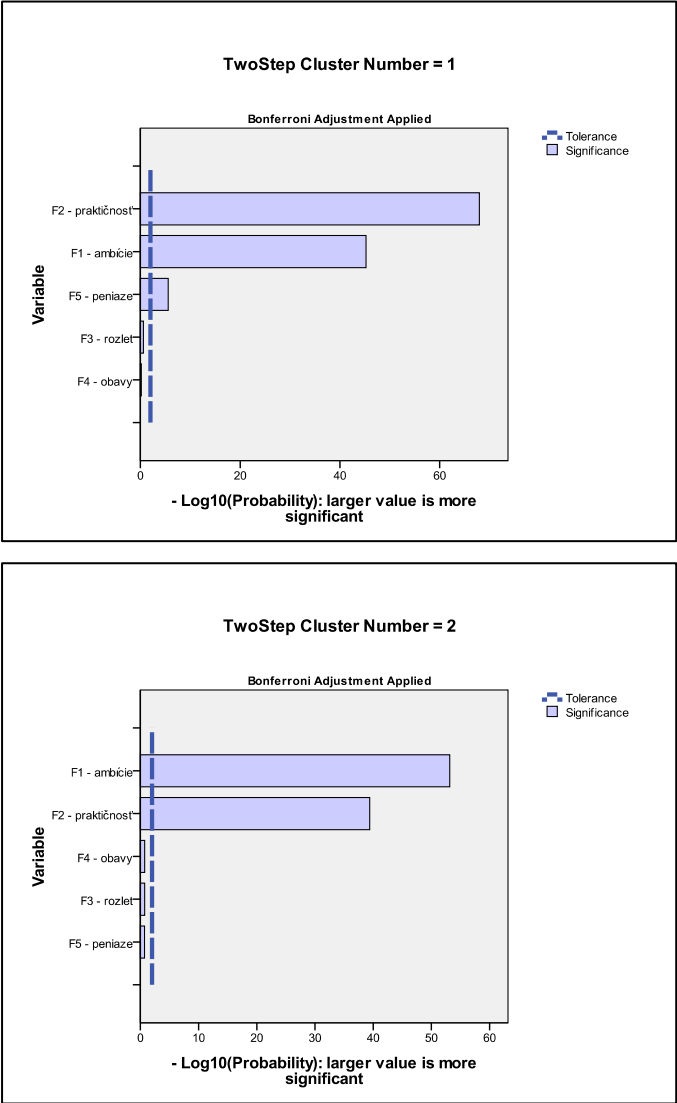
Fig. 4: Centroids

Cluster	Mean				
	F1 - ambitions	F2 - practicality	F3 - latitude	F4 – concerns and human capital	F5 - money
1	1,106	0,978	0,104	0,033	0,305
2	-1,335	0,927	-0,106	0,091	0,103
3	-0,076	-0,624	1,282	0,262	-0,158
4	0,441	0,124	-0,406	0,544	-1,593
5	0,164	-0,639	-0,536	0,509	0,561
6	0,109	-0,390	-0,279	-1,534	-0,074
Combined	0,000	0,000	0,000	0,000	0,000

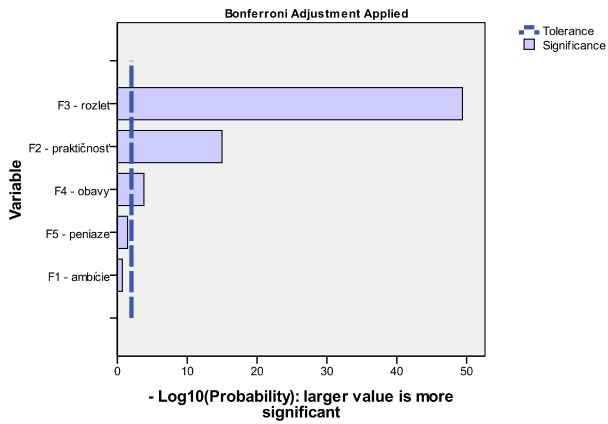
Source: own calculations in SPSS

The differences in the significance of the contribution of individual factors to the defined respondents' clusters, are the best indicating the following graphs (Figure 5). Here it is clear which factor was in specifying which cluster dominant and the extent of its dominance among other factors.

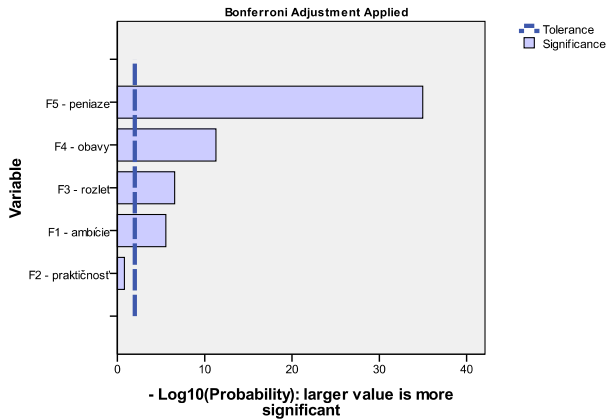
Fig. 5: Significance of factors in clusters of respondents

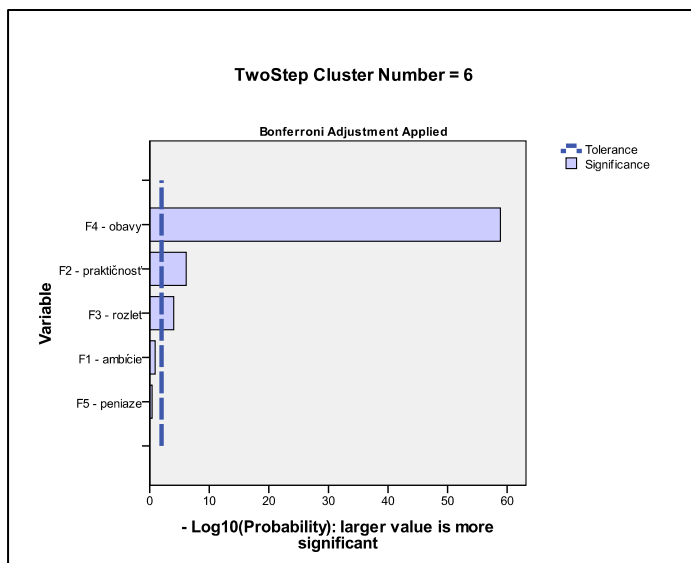
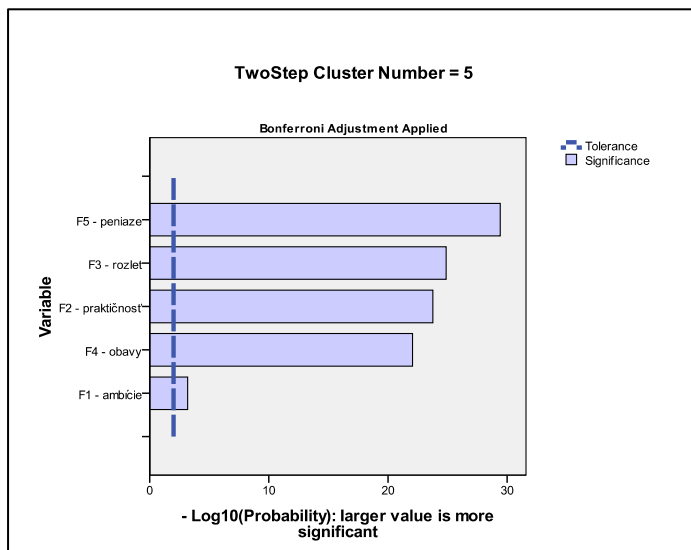


TwoStep Cluster Number = 3



TwoStep Cluster Number = 4





Source: own calculations in SPSS

The first two clusters particularly affect the ambitions, and practicality, in the third is dominant latitude, money in the fourth, the fifth is not the only variable significantly dominant and sixth are of concern and human capital.

Variable being the dividing respondents into clusters is in important relation with the variable dividing the four groups of respondents in terms of the degree and form of study.

Fig. 6: Relationship of the cluster and the type of study

		Cluster						Total
		1	2	3	4	5	6	
bc denní	Count	53	48	48	37	65	40	291
	Expected Count	41,6	53,7	49,8	29,2	70,4	46,2	291,0
	Std. Residual	1,8	-,8	-,3	1,4	-,6	-,9	
bc externí	Count	26	34	26	16	47	48	197
	Expected Count	28,2	36,4	33,7	19,7	47,7	31,3	197,0
	Std. Residual	-,4	-,4	-1,3	-,8	-,1	3,0	
mgr denní	Count	31	48	63	24	50	18	234
	Expected Count	33,5	43,2	40,0	23,5	56,6	37,2	234,0
	Std. Residual	-,4	,7	3,6	,1	-,9	-3,1	
mgr externí	Count	7	21	3	5	36	24	96
	Expected Count	13,7	17,7	16,4	9,6	23,2	15,3	96,0
	Std. Residual	-1,8	,8	-3,3	-1,5	2,6	2,2	
Count		117	151	140	82	198	130	818
Expected Count		117,0	151,0	140,0	82,0	198,0	130,0	818,0

Source: own calculations in SPSS

Bachelor daily students = “bc denní”

Bachelor external students = “bc externí”

Masters daily students = “mgr denní”

Masters external students = “mgr externí”

Belonging to the form and type of study is significantly influenced by the first, third, fifth and sixth cluster.

The first cluster (especially practicality + ambitions +) are significantly more daily graduates and significantly less external students of master program, as one would expect the assumption of independence.

The third cluster (in particular the latitude of the region = +) are significantly more daily master students and significantly less external master students. The cluster 5 consists of significantly more external master students.

Cluster 6 (concerns and human capital orientation) are significantly more external and master's graduates and master's daily significantly less than would be expected, subject to the assumption of independence. The significance is tested on the 0.01 level of significance, since the test statistics G^2 of the test of maximum likelihood reached 76.639, and the calculated level of significance value $\text{sig} = 0.000$.

Fig. 7: Relationship of the cluster and the position of employment

		Cluster						Total
		1	2	3	4	5	6	
stredný manažment	Count	4	4	3	4	13	7	35
	Expected Count	5,0	6,5	6,0	3,5	8,5	5,6	35,0
	Std. Residual	-,5	-1,0	-1,2	,3	1,6	,6	
radový zamestnanec	Count	24	33	24	16	59	43	199
	Expected Count	28,5	36,8	34,1	19,7	48,2	31,7	199,0
	Std. Residual	-,8	-,6	-1,7	-,8	1,6	2,0	
nezamestnaný	Count	89	112	112	61	121	76	571
	Expected Count	81,8	105,5	97,8	56,6	138,4	90,9	571,0
	Std. Residual	,8	,6	1,4	,6	-1,5	-1,6	
iné	Count	0	2	1	0	5	4	12
	Expected Count	1,7	2,2	2,1	1,2	2,9	1,9	12,0
	Std. Residual	-1,3	-,1	-,7	-1,1	1,2	1,5	
	Count	117	151	140	81	198	130	817
	Expected Count	117,0	151,0	140,0	81,0	198,0	130,0	817,0

Source: own calculations in SPSS

Middle management = “stredný manažment”

Ordinary employee = “radový zamestnanec”

Unemployed = “nezamestnaný”

Other = “iné”

The variable being the dividing respondents into clusters is in significant relation with the variable dividing respondents into 4 groups in terms of job positions ($G^2 = 34.402$, sig = 0.003). This significance is mainly due to positive tilt of ordinary employees in the sixth cluster to a higher number than the assumption of independence (Figure 7).

Further testing confirmed the independence of membership of the cluster and gender, education. The data give the possibility to assume that by the bigger sample the independence between cluster and age group membership could be rejected. These data have shown the independence of the cluster membership with the age group ($G^2 = 16.809$, sig = 0.079) on the border of rejecting the null hypothesis.

Summary

The research has shown specific approach how the cluster analysis can contribute to specify the segments of university students in marketing oriented educational institutions. This way we can identify bases for segmenting the market.

Motivation factors can play very important role in the defining the target groups for formulating specific marketing programs to different target groups and target markets. It is very important also for designing adjusted marketing tools, such as new educational programs, price policy, promotional policy and distribution.

The cluster analysis can contribute, by identifying bases for segmenting the market, to relatively more detailed view to structure of market into clusters and to ensuing much more effective marketing effort also for universities and other educational institutions.

Bibliography

1. AGRESTI, Alan. 2002. Categorical data analysis. Second Edition. University of Florida. Wiley Interscience, John Wiley & Sons, Inc., Hoboken, New Jersey, 2002. 710 s. ISBN: 0-471-36093-7.
2. ALDENDERFER, M. S. - BLASHFIELD, R. K. 1984. Cluster Analysis. Newbury Park: Sage Publications, 1984. 89 s. ISBN 0-8039-2376-7.
3. BLAHUŠ, P. 1985. Faktorová analýza a její zobecnění. Praha: Matematický seminář SNTL, 1985. 354 s.
4. KOTLER, Philip, FOX, Karen F.A. 1985. *Strategic Marketing for Educational Institutions*. USA: New Jersey, Prentice Hall, Inc., Englewood Cliffs 1985, ISBN 0-13-851403-8.
5. LITAVCOVÁ, Eva, PAVLUŠ, Miron, SEMAN Ján, CSABA Torok. 2010. *Štatistika*. Prešov: Prešovská univerzita, Fakulta manažmentu 2010. ISBN 978-80-555-0138-3.
6. ŠTEFKO, Robert: *Akademické marketingové inštrumentárium v marketingu vysokej školy*. Bratislava, R.S. Royal Service 2003. ISBN 80-968379-5-8 (EAN 9788096837953).

This article is published as one of the outputs by the international research grant “University Role in Regional Development and Knowledge Dissemination” SK-PL-0056-09, by Slovak Research and Development Agency SRDA (APVV) and the Centre of Excellence CEVKOG.

Contacts

prof. Ing. Dr. Róbert Štefko, PhD.
University of Prešov in Prešov
Faculty of Management
Department of Marketing and International Trade
SLOVAKIA
E-mail: stefkor@unipo.sk

Mgr. Eva Litavcová
University of Prešov in Prešov
Faculty of Management
Department of Quantitative Methods and Managerial Informatics
SLOVAKIA
E-mail: litavcov@unipo.sk

Ing. Sylvia Jenčová
University of Prešov in Prešov
Faculty of Management
Department of Finance and Accounting
SLOVAKIA
E-mail: sjencova@gmail.com

Mgr. Oľga Ivančová
University of Prešov in Prešov
Faculty of Management, external doctorate student
Brokernet, s.r.o.
SLOVAKIA
E-mail: olineck7@gmail.com

Marketing Planning in Area of Services

Monika Tóthová

Hotel academy, Prešov

Ján Bednár

Getrag Ford, Kechnec

Abstract

This feature is dedicated to marketing planning in service area, which strongly influences long term success of enterprise. Marketing plans deal with deep investigation of marketing mix of organization and contain detail calculations and time schedules. Plan should be in written form, but it should not be fixed. Organization must follow plan fulfillment and in case of need it shall do changes. Managers of enterprises realize more, that right prepared marketing plan leads to efficiency increase and it can be a source of competition advantage.

Key words

marketing plan, target establishment, advantages of marketing plan, managers, eight „P“ of tourist traffic marketing

1 Marketing plan

Marketing plan introduces that, what most of specialists call „tactical“ or short-term plan. Of course it is not enough to have only yearly marketing plans. Long-term or “strategic” plans are very important. Those plans for more years have much more general and less detailed character in comparison with tactical. They ensure reaching of long-term targets. Between strategies and targets in view of every marketing plan and strategic business plan must be in close contact.

Marketing plans deal with deep investigation of marketing mix of organization and they contain detailed calculations and time schedules. Strategic business plans mainly deal with problems of outside environment, opportunities and challenges mid-term and long-term time view.

Would you board the plane, if you know pilot has no flight schedule? Probably you would answer no. Any organization, which has no marketing plan, is like plane without schedule. Plane can lose its way and will lose its target, because it used all fuel by wandering. Similar organizations without

plan will wander in blind streets of undertaking and use all resources, instead to reach their targets.

2 Requirements for preparation of effective marketing plan

Similar as every building needs to have a strong basement, marketing plan must be built on solid research and analyze. Marketing plan rises on base of components like situation analyze, marketing research, market segmentation, choice of marketing strategy, choice of target market, placement, which represent as guideline in leading of organization. Ferner (1993) says, that in practice of small and middle plants we can often meet with negative attitude of businessmen to planning. This negative attitude has mainly psychological and personal reasons (lack of understanding and interest, organizational lack). Every architect and constructor knows, that original proposal must be ready for case of unexpected events. They know, lot of human energy is necessary for proposal on paper becomes a reality. Generally it is accepted, all must be carefully planned and time tracked, walls must be built before the roof. Specialists in building fully appreciate meaning of calculation, planning of unexpected costs and establishment of targets. They are aware, that pre choice of resources and material, likewise as specialized professions, is very important for reaching of maximum satisfaction with work results. Requirements for marketing plan are similar to building plans.

According to Morrison (1989) marketing plan must be:

- 1. Based on facts.** Marketing plan must be built on previous research and analyze. Plan created on “feeling” of leading people is similar to cardhouse – if one assumption is wrong, complete building will be damaged.
- 2. Organized and coordinated.** Marketing plan must be as most detailed, specified and detailed prepared. It must clearly identify departments and persons, who are responsible for every tasks, it must show publicity and other materials, which are necessary. It must be clearly defined quality and involvement of employees.
- 3. Programmatic.** Marketing plan must be tuned like, all actions go in required sections. Timing is very important for marketing, because of that marketing plan must be accurate.
- 4. Budgeted.** Every marketing plan must be detailed budgeted. In practice it is necessary to prepare more budget alternatives before, organization decides about final numbers.
- 5. Flexible.** Unexpected events happen too, because of no plan should be written in stone. Marketing plan should adapt to changed conditions, when it is obvious, that targets can not be reached or if there is unexpected movement

of competitors. It is necessary in frame of plan and marketing budget to create an area for unexpected events.

6. Controllable. To keep of original proposal by plan preparation is maybe more difficult than its own preparation. Every plan must contain measurable targets. Plan must clearly determine who is responsible for measurement of individual steps.

7. Internally consistent and connected. Most of marketing plan parts are together connected and because of that it must be consistent. For example advertising and methods of sale support should be reciprocally connected to be effective.

8. Clear and simple. Detailed does not mean difficult. It is not enough, when plan is understandable only for author. For creation of successful marketing plan it is necessary effort of many people. Targets and tasks must be easy reachable. All misunderstandings must be eliminated.

3 Advantages of marketing plan

Marketing plan is most used tool of any organizations. Advantages of marketing plan using are:

- a. Activity of company runs in alignment with target markets.
- b. There is a consistency of organization targets and priorities required by target market.
- c. It guarantees special powers.
- d. It supports a marketing success measurement.
- e. It links up to long-term planning.

Ad 1. Activity of company runs in alignment with target markets. In assumption, that segment marketing strategy was used, plan ensures all actions of plant are targeted on chosen target markets. It is important to delimitate a marketing mix for specified target markets. This eliminates ineffective usage of resources for unattractive target markets.

Ad 2. Consistency of organization targets and priorities required by target market is reached. It solves two questions. How far should plan satisfy the target reaching? Does every target market need special attention? Simply said, as bigger target is, as bigger effort it needs. It is without sense, that organization uses 80% of its marketing budget for target market or markets, which guarantee 20% of whole sale or profit. It happens very often. According to Kotler (2005) company does not have to change its targets because of conditions were changed. In first defense wave it is necessary to

change tactics and budget. If this does not help, tactics must be changed and if plan still does not work, targets must be changed. The most important thing for planning is not a plan. During battle preparation we find out, that plans are useless, but planning is a must. Planning is forcing us to deep and futuristic thinking by more systematic way.

Ad 3. It guarantees limited authorities. Good plan provides strictly defined authorities for all. It helps to improve a communication between people responsible for marketing and better orientation in organization.

Ad 4. It cooperates on marketing success measurement, which is a tool of marketing management, because it creates a base for control of marketing actions. Marketing plan plays very important role for answering of two key questions: How do we know, we get there? (control) How do we know, we got there? (measurement and evaluation)

Ad 5. It links up to long-term planning. Marketing plans complement strategic business plan and create connection between short-term and long-term planning process. They ensure, that long-term organization targets are in scope.

4 Content of marketing plan

Marketing plan consists of two parts, which we can call principled and realization plan. Principled part clarifies reality, analysis and assumptions, on them marketing plan is built. It describes marketing strategies, target markets, approaches and defined marketing targets in specific timing.

Realization plan is dedicated to marketing budget preparation, employees' responsibility, activities, time schedule and control methods, measurement and actions evaluation.

Principled marketing plan. Even though most of people remember, what is necessary to do, they very easy forget, why it should be done. Principled marketing plan clarifies different analyses, assumptions and decisions, on that base it was created. It collects different researches and analyses, which were done in advance and it provides historical survey for creation of future marketing and strategic plans. This part is very important mainly for external consultants – specialists from advertising agencies, who should realize specific task.

Realization marketing plan. For creation of successful marketing plan it is necessary to realize many steps and implement many detailed arrangements. Function of realization plan is to specify all required actions, responsibility, costs, time schedules and procedures of control and evaluation. Many marketing plans are not successful, because they are not accurate enough. Too many plan evaluations are done by people responsible for

different actions, so it can happen very often, that final date can not be reached, money can be spent very ineffective and there can be a general mess. In frame of realization plan it is a bigger mistake to have very detailed plan. Good to remember of realization plan content is effort to answer the questions like which, where, when, who and how:

WHICH actions or tasks will be realized and who will realize them?

WHERE will those actions realized?

WHEN should those actions start and when stop?

WHO is responsible for those actions?

HOW will plan be controlled and evaluated?

Štefko (2005) says, there are no significant differences between different organizations in term of base philosophy. In many cases it is enough to apply not very sophisticated marketing management procedure to area of organizations providing education services analogically, like to other organizations in other areas. It relates to analytical part, SWOT – analyze and portfolio analyze (where production units – study fields of university – play roles of stars, question marks, cows and dogs), also matrix product/market.

Marketing plans are mostly very weak, some of them are too much loaded by old data and advertisement, they are missing good strategy. Sometimes the strategy does not relate to defined tactics, or plan contents not realistic targets. During audit of IBM marketing plans, which were whole good, lot of information and assumptions were raised. Plans were sent back for reworking. No marketing plan can ensure the success, but weak plans almost for sure will not be successful (Kotler, 2005, 72).

5 Eight “P” of service marketing – restaurant and tourist traffic

Big part of marketing plan belongs to, how the organization wants to use eight “P” of marketing for restaurant and tourist traffic (marketing mix). We show implementation of those steps to marketing plan.

Eight “P” of marketing for restaurant and tourist traffic:

1. Product.
2. People.
3. Packaging.
4. Programming.
5. Place.
6. Promotion.
7. Partnership.

8. Pricing.

Ad 1. **Product.** It covers term product/service, its description, which is provided by organization to customers. Marketing of restaurant and tourist traffic is special branch of marketing, which has own specific requirements. Definition of product is difficult, because in comparison to other products this is not a dead object. It is difficult to describe its content, because many customers buy mostly on base of emotions than on facts. What they buy does not have to be what we think we sell.

Ad 2. **People.** It is important to use a human potential. In department of tourist traffic this is a very important element. Very high requirements are put on professional, psychical and physical assumptions of people. Štefko (2001) says, for effective process of employee recruiting is good knowledge about needs for specified work positions. This knowledge is prepared by analyze of work position as part of personal planning

Ad 3. /4. **Packaging.** Package is result of research, what people need and what they wish. This is a base for combination of different services to cover those needs. Marketing plan should solve to the detail offered and new packages and programs for following twelve months or short time. Then there should follow financial assurance of every package and program, together with identification of way, how this offer will be connected with propagation activities.

Ad 5. **Place.** How does organization plan a cooperation with different groups in frame of distribution ways? For service provider and carrier it means, how they will use dealers for tourist traffic (travel agencies, travel organizers), to reach defined marketing targets.

Ad 6. **Promotion.** Marketing plan specifies the way, how techniques of promotion mix (advertisement, personal sale, sale support, internal advertisement, public relations and publicity) will be used. Those techniques are interconnected and plan must ensure them to complement each other and not to oppose. It belongs here the usage of external advisors and specialists services. Advertisement can influence origination and change of needs, demand, interests, habits and traditions (Prachár, 1991, 94).

Ad 7. **Partnership.** It would be technically more right to put partnership to promotion and place. Marketing plan should limit some space for common discussions about possible cooperation, costs and profitability.

Ad 8. **Pricing.** Price policy needs more attention, because on one side it is a marketing technique, on other side it is a profit determinant. There is a recommendation to prepare a pricing plan, which covers prices, discounts planned for following period.

Summary

Marketing plan is a detailed guide of actions, it shows, how organization plans to reach marketing targets. It analyzes to detail all marketing actions, which should be realized in following year. It is a group of plans, which is prepared from partial plans dedicated to components of marketing mix, which are carefully coordinated to one big corpus.

Plan should be in written form, but it should not be fixed. Organization must track fulfilling of plan and in case of necessity to make a change. Preparation of plan takes weeks, sometimes months, but this is not disadvantage in case, if it is possible to ensure its maximum efficiency.

Bibliography

1. FERNER, F.K.: Marketing cestovného ruchu v praxi. Bratislava: SPN, 1993. s. 40, ISBN 80-08-01978-6
2. KOTLER, P. : Marketing v otázkách a odpovediach. Brno: CP Books, a. s. , 2005, ISBN 80-251-0518-0.
3. KOTLER, P.: Marketing management 10. rozšírené vydání. Praha: Grada Publishing, spol. s r.o. , 2001 s. 90 – 104.
4. MORRISON, A. M. : Marketing pohostinství a cestovního ruchu. Praha: VICTORIA PUBLISHING, 1989, s. 214 – 232 , ISBN 80-85605-90-2
5. PRACHÁR, J.: Čo je marketing. Bratislava : SPN, 1991, s. 93-95, ISBN 80-08-01321-4
6. SEDLAČEK, V.: Pohotovo do slepej uličky. In : Trend, 2009, č. 3, s. 50
7. ŠTEFKO, R.: Personálna práca v hyperkonkurenčnom prostredí a personálny marketing. Bratislava: R.S. Royal Service , 2001, s. 130 – 133 . ISBN 80-968379-4-X
8. ŠTEFKO, R.: Akademické marketingové inštrumentárium v marketingu vysokej školy. Bratislava : R. S. Royal Service, 2003, s. 220 – 224. ISBN 80-968379-5-8

Contacts

Ing. Monika Tóthová
Hotel academy, Prešov
SLOVAKIA
E-mail: monika.tothova@zoznam.sk

Ing. Ján Bednár
Getrag Ford, Kechnec
SLOVAKIA
E-mail:bednar.jan@centrum.sk

4. Management of Tourism and Hotel Industry

Information Systems and Their New Possibilities in the Area of Tourism Industry (Data Mining Around Us)

Július Alcnauer

University of Prešov in Prešov, Faculty of Management

Abstract

The paper summarizes the application of data mining in business and its most frequent areas of utilization. It suggests the possibilities of improvement tourism's promotion in order to better understand the dynamics of tourism's development in Slovakia. The paper recommends collection of selected data on foreign visitors.

Key words

Data mining, tourism industry, demand forecasting

Introduction

Investigation of customers' needs and their behaviour during purchasing products has recently become studied by specialists in management and statisticians focused on datamining. This area does not come as something new and has been used for some time, for example, to detect potential value of customer, predict their behaviour and for many other purposes. Datamining has become an area of science built on sophisticated algorithms and statistics using computer support and its employment often comes unnoticed. What we often take notice of are only campaigns in hypermarkets or those used by mobile phone operators and we have little idea of what exactly their focus is.

Every salesperson attempts to detect the impact of his/her marketing campaigns and wants to get to know what customers think. S/he strives to guess what their preferences are before they can even formulate them in words. When paying in supermarkets, or when shopping on the Internet, a rather high amount of data emerges. Laypersons tend to think that they serve only to resupply stocks and check sales, but they can be used for more than that; they may conceal a real treasure which, however, our managers seek only rarely. Datamining may even be a modern holy grail, or just a necessity for survival in the world of harsh competition.

What do we know in this situation about tourists in Slovakia? Do we wish to estimate their desires? Or are we just waiting when visiting our country becomes fashionable?

The most common areas of the use of datamining

Datamining as a tool for finding relations and interconnections which cannot be offered by the commonly used statistical instruments may perhaps become a key to further development of certain areas. As Güland and Cagatan (Tsay, Chiang, Bose, Mahapatra) maintain, „Data mining can be defined as knowledge discovery from databases as the process of nontrivial extraction of implicit, previously unknown and potentially useful knowledge from large databases for creating effective strategies“ [1]

At present, datamining influences many areas of industry and its influence is on the rise. An extreme example is the case of the attempt to materialize the vision as presented in the film *Minority Report*. US police already works on software which, through the use of special algorithms and information on crimes committed in the past, would be able to work out predictions containing information on a possibility of committing a crime in the future. „The software has been developed by professor Richard Beck from University of Pennsylvania and at present it is tested in Baltimore and Philadelphia.“ [2]

No matter how sensational this might seem, the fact remains that this software is used to predict behaviour of persons released on parole.[3]

As Radek Pilař claims, there are several areas for the utilization of datamining in economic praxis: churn management, i.e. disclosure of potential departure of customers to competition. On the basis of analysis of previous behaviour of customers who left to joint competition it is possible to abstract models of behaviour which signal this possibility. It is then possible to appeal to customers revealing symptoms of a similar behaviour and prevent their potential departures. Costs to cover prevention are significantly lower than those to acquire new customers.[4]

Risk management and fraud detection – estimation of the risk of delayed payments and identification of potential defrauder. Analysis of earlier data models can be created to identify potentially risky loan, as well as the degree of the risk based on demographic data and other information.

For example, these applications have been used for some time in marketing operations:

Estimate of potential customers' behaviour – by knowing datamining analyses it is possible to lower costs on focused advertising campaigns by tens of per cent while maintaining its efficiency.

Segmentation of customers – a common practice in many large companies is that 90% of turnout comes from 10% of customers. Identification of further relations in the database of customers enables more efficient managerial work; this basic form of segmentation is made possible by the majority of analytical instruments.

Market basket analysis – or identification of consuming behaviour. From the data on purchases it is possible to derive information on consumers' behaviour. Knowing this information enables more efficient arrangement of stock or electronic catalogue. [4]

For example, before approaching the cashdesk in a supermarket every customer passes along several sorts of merchandise.

Advertising campaigns in the age of Internet and tourism

In the initial period of direct marketing sales were rising mainly as a result of the rising number of customers. Today's markets are, however, substantially more saturated. It is only at the expense of competition that new customers can be acquired. Due to this, acquiring new customers has become more difficult and expensive. In the era of google is the question of cost and offer substantially more important than in the past.

„According to Mark Van Clieaf, President of MVC International

As a result of direct customers' access to hundreds of thousands of web servers traditional approaches to customers are less efficient...Internet has radically altered the playground...” [5]

It has been some time since we tried to make tourism to Slovakia more efficient and productive. One of the repeated arguments justifying the current state of things is that investments into publicity of Slovakia are low. As a result, hotels in the Tatra mountain regions are almost empty.

It is a probably a fact that, in our circumstances, foreign visitors will never fill up the capacity of Slovak hotels. In the future it would be welcome to focus on the domestic tourists as well and offer products which would be attractive and accessible for them. It is necessary to investigate on what they spend money and what inhibits them. Terms and special offers that would attract domestic clients are largely missing. This activity should, however, not be done at random; it would require a more active analysis of data on using services in different regions.

A comparison with the Czech Republic will show that certain ideas are worth trying here too. For example, reductions for visiting a series of castles. The offer provided on the website www.kudyznudy.cz is remarkable.

The very slogan „Holidays in the Czech Republic – that is a hit“ speaks for itself. At the time of crisis many Slovaks consider going abroad, they are cautious of, for example, strikes in Greece and the related problems. They think of saving money, and the number of foreign visitors in Slovakia will not be that high as it was in the past. Has Slovak tourism managed to offer anything adequate to attract this section of clients?

Perhaps the crisis could have been used for our benefit. It would be useful to look at what the automobile industry has managed to do – it offered a system of financial bonuses which persuaded many people to buy car even during those harsh times. It managed to receive large state investments and subsidies in many countries of Europe, which translated into seemingly irrational behaviour of customers during financially insecure times.

The success and aggressive marketing of mobile operators is observable around us. Their capability of persuading Slovaks that it is a new mobile phone that they need is to be seen on the daily basis. However, average clients have not noticed that they pay several times more than what Austrians pay for identical services.[6,7]

When considering the aggressiveness and complexity of marketing campaigns of mobile operators, tourism is promoted insufficiently. We could achieve comparable success if only we followed customers' requirements as it is done in other sectors. In commercial practice (tourism?) we cannot utilize effects of social networks in Slovakia, not even to a minimum degree. Perhaps a simple list of blogs on the places of interest and monuments in Slovakia. For illustration, let me quote Silvia Manclova's blog and her contribution „We are really strange! There is Stonehenge in Slovakia too“.[8]

Future is available even now

An important thing for Slovak tourism is co-operation in exchanging data. A solution could be an independent organization safeguarding anonymity and concentration of data. A national travel agency of the future could record, for example, how many „passengers landed from regular and non-regular flights, passengers flying with low-cost“.

For better knowledge of clients some authors recommend „accommodation time, monthly income and age where they are from, how much they spend, and when and on what they spend – it can help a company to formulate marketing strategies and maximize profits. Due to technological development

tourist companies have accumulated large amounts of customer data, which can be organized and integrated in databases that can be used to guide marketing decision.[9]

This can formulate a better marketing strategy and maximize profit. Hotel managers realize the importance of this kind of information and hotel reservation systems have implemented creation of various surveys and customer segmentation. On the basis of their analyses they can predict customer-behaviour trends. Possibilities for improvement of services in Slovak ski centres are very large. It is often vision and willingness to make a change. In the future, datamining analyses can be decisive for the survival of companies. The importance of central accumulation of data and of their sophisticated processing can be illustrated in the form of the most important steps while using Crisp-DM as presented in the following scheme.

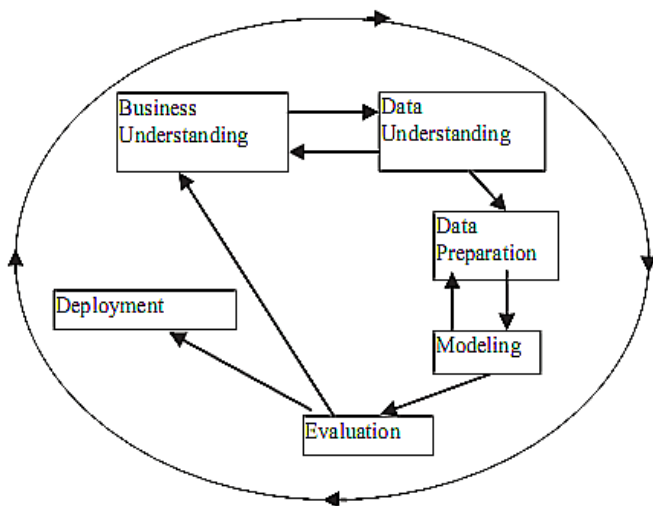


Fig. 1 Basic steps in using Crisp-DM Process Model
Source: www.crisp-dm.org/Process/index.htm

There are many production and replacement heuristic algorithms which can be used to realize the order. If they fail to deliver required result data, their combination may lead to obtaining the cost saving procedures. However, this all can be achieved only by means of a simulation method. [10]

Summary

It is strange that datamining models are used in tourism in Slovakia very rarely. It can be caused by several factors. In contrast with industry, certain activities are not repeated - not all customers repeatedly visit the same travel agency. We can admit that perhaps datamining will never fully conquer tourism to the degree it has captured industry. Tourism will always be about a capability to attend to individual customers, to heed their needs and understand their wishes. There are many other factors, such as the grey economy. A new car is not something that is bought every year. Yet car makers always try to guess customers' wishes and persuade them that a car is exactly what they need. Let us try to use a similar procedure in the promotion of our tourism.

Bibliography

1. Gül, E. – Çağatan, T.: Identifying Segments of a Domestic Tourism Market by Means of Data Mining. In: Operations Research Proceedings - Bremen 2005. Berlin, Springer Verlag, 2006 pp. 653-661, ISBN-10 3-540-32537-9
2. MADOŠ, M.: Predpovedanie zločinov na spôsob Minority report o krokblížšie k realite. Available on internet: www.itnews.sk/spravy/bezpecnost/2010-09-07/c135613-predpovedanie-zlocinov-na-sposob-minority-report-o-krok-blizsie-k-realite
3. Minority Report' moves from reel into real life. Available on internet: <http://economictimes.indiatimes.com/news/news-by-industry/etcetera/Minority-Report-moves-from-reel-into-reallife/articleshow/6445936.cms>
4. PILAŘ, R.: Data mining - Přeměna dat v hodnotné informace. Available on internet: www.capgemini-sophia.cz/cs/co-delame/publikacni-cinnost/data-mining-premena-dat-v-hodnotne-informace.html
5. PARR RUD, Olivia Data Mining Computer Press Praha 2001 p. 284 ISBN 80-7226-577-6
6. Rakúšania volajú o 7-krát lacnejšie ako my! Available on internet: <http://tvnoviny.sk/spravy/domace/mobilni-operatori-sokuju-slovaci-platia-najviac.html>
7. Operátori nás zdierajú! Available on internet: http://tvnoviny.sk/spravy/ekonomika/operatori-nas-zdieraju-slovaci-maju-najdrahsi-internetvoecd_comment_p3_a31.html?&page=3&p_all_items=31
8. MANCELOVÁ, S.: Fakt sme divní! Stonehenge máme aj na Slovensku Available on internet: < <http://mancelova.blog.sme.sk/c/234270/Fakt-sme-divni-Stonehenge-mame-aj-na-Slovensku.html#ixzz10KTPeRmM>
9. DANUBIANU, M. – HAPENCIUC, V.: Improving Customer Relationship Management in hotel industry by Data Mining Techniques. Proceeding of Competiti-

veness and Stability in the Knowledge-Based Economy, Vol: CD 1 , 30-31 Mai, 2008, Craiova, Romania, pp. 2444-2452, ISBN: 978-606-510-162-3

10. BUCKI, R.: Minimizing Economic Losses of the Rolling Line. In: Ekonómia a proces poznávania, Prešov, FM PU. 2009 pp. 62-67, ISBN 978-80-5550141-3

The work was supported by grants APVV SK-PL-0031-09.

Contact

PaedDr. Július Alcnauer, PhD.

University of Prešov in Prešov

SLOVAKIA

E-mail: alcnauer@gmail.com

The Role of the Red Pepper of Kalocsa as Hungaricum in Tourism Environmental Technology, Use in Health Care and a Folk Art Pattern

Katalin Daubner – József Kapitány – Rózsa Mészlényi

Tomori Pál College, Hungary

Abstract

Based on the favourable geological position, natural beauties and long history of Kalocsa, this study focuses on the products (red pepper, porcelain) and the sights (Archiepiscopal Palace, Cathedral, Folk Art House, Paprika Museum) which attracts visitors to the town. The very well-known red pepper of Kalocsa, which was granted national protection as a Hungaricum, has contributed to the economic, cultural, folkloristic and culinary image of the region for many centuries. The grist of the this pepper is very rich in Vitamins (Vitamin A, C, E, P) and with its colour and taste it has helped to establish the fame of the Hungarian cuisine, but it plays a special role in health care and the cosmetic industry as well. The red pepper as a folk art pattern decorates the porcelain and textiles of Kalocsa. The Red Pepper Research Institute is a unique organization, which provides modern biological bases and environmentally friendly technologies for the production and procession of the paprika.

Key words

Tourism, health care, folk art, red pepper

Kalocsa with its population of seventeen thousand inhabitants lies near the left bank of the river Danube, in the West of Bács-Kiskun County, 120 km to the South from Budapest. It is the same age as the Hungarian State and the town looks back on a history of a thousand years. It is the cathedral city of Keckemét-Kalocsa Archiepiscopacy which was founded by King Stephen I. in 1001. From a tourist point of view, Kalocsa offers a great deal of unique sights and special programs to the visitors. It was especially paprika and folk art that made the town world famous.

Paprika (or red pepper) is a plant of high economic importance in Hungary and in the neighbouring countries such as Slovakia as well. It serves as a source of living for a lot of families. It is an indispensable spice of the Hungarian cuisine and it is also important as a folk art pattern.

The original homeland and spread of paprika

The original homeland of paprika is in Central America, from where it later spread to South America. The earliest historical records are three-four thousand years old and they have been found in Peru. The discoverers believed paprika to be an unknown spice from India so they named it “Indian pepper”. It arrived in Europe on one of the voyages of Columbus. It primarily spread in Spain, but in the 1500s in the Turkish Empire and the Balkan Peninsula as well.

Paprika has been known in Hungary since the middle of the 1500s, it was probably the Turks who first brought the plant into the country. Originally, it was a rare and exotic ornamental plant of the gardens of the Aristocrats and later it was used as a medicinal plant and for seasoning. We can say that paprika has been a house spice in Hungary for almost 300 years, a domestic article of commerce for 160 years and it has been exported for the last 100 years. It spread at the greatest scale at the end of the 18th and during the 19th century becoming an important commodity in commerce. It was already grown on the archiepiscopal land at the beginning of the 19th century and the milled produce of paprika started to be exported from the end of the 1800s. The term “Kalocsa Paprika” is a collective term that comprises the paprika crops of about 60 settlements.

The garden cultivation in Kalocsa, which admitted the new plant, had a history of several hundred years. Natural conditions played a special role in the development of a paprika-growing area. Thanks to the dry continental climate of the Carpathian Basin and the special micro-climate of the region of Kalocsa including a soil rich in nutrients, the paprika and the mill produced near Kalocsa is of the best quality worldwide. Because of the valuable properties of the Hungarian paprika, it even outdoes in quality the original paprika grown in its homeland.

The unique Kalocsa Paprika Research Institute, which was founded in 1917, fostered the development of paprika production. This institute helped to spread the paprika growing areas in the region on one hand and by product qualifications, production of non-spicy paprika and ensuring the biological basis it contributed to improving the quality of the product on the other hand. The improvement of the quality of paprika was very much supported by the archiepiscopacy offering land for the production and by the processors and merchants who gave financial support.

Exclusively spicy kinds of paprika were produced in Hungary until the 1930s and the crop was processed in a very hard way of domestic industry. Originally, the crop was milled with water mills on the Danube. The first paprika mills on land were built near Kalocsa in 1820 and in the town in 1861.

It was a breakthrough when Ferenc Horváth developed *the non-spicy (sweet) paprika* in the Kalocsa Paprika Research Institute *for the first time in the world* in 1928. It served as a base for the work of improvement for the following years and transformed and accelerated processing resulting in a fast growing export of the product. Special kinds of paprika produced by cross-breeding contributed to the modernization of production and processing. As a result of this, spice paprika is the only plant in Hungary, which is exclusively produced with Hungarian sorts as they are of best quality in the world. Nowadays most research is done on the production of hybrids and different sorts which are resistant to diseases and the production of environmentally friendly technologies. The involvement of resistant sorts in the production ensures the use of an environmentally friendly technology, provides more security on the crop, ensures avoiding the fluctuation of the annual average crop, reduction in the use of insecticides and the operation of plant protecting measures, improves the efficiency and profitability of production, provides a biological basis for eco-production, reduces costs and environmental pollution and thus improves competitiveness.

The physiological benefits from the consumption of paprika and its role in culinary art

There is a saying: “spice paprika is the spice of the kings – and the king of the spices”. It is a fact that paprika is the most characteristic Hungarian spice, a unique “Hungaricum”.

The way of putting paprika into strings was invented in Hungary. After stringing, the paprika is dried and milled. The world famous mill produce of Kalocsa paprika is a mixture of scents, tastes and aromas. It is rich in Vitamins (Vitamin A, C, E, P) and it is a treasure house of volatile oils, sugars and different minerals. Apart from paprika, there is no more spice in the world which comprises all the bioactive materials important for the human organism. Its pleasant spicy taste is provided by the compound capsaicin, and the colour is given by the compounds capsantin and capsorubin. Paprika and dishes containing paprika play a special role in preserving health. It was proved that the consumption of this spice offered special physiological benefits, it was originally produced as a medical plant and was eventually used to cure a number of diseases. The benefits of paprika and its elements on human organism were first researched at the beginning of the 20th century. It was proved that the flavour particles of paprika helped digestion by improving the development of gastric juices. The spicy flavour induces hyperaemia by stimulating the intestine mucous membranes, enhances secretion and fosters the movement in the innards and helps the absorption of fats. The natural ingredients with Vitamin “A” and “C”

can prevent the development of several diseases. The agent that causes the spicy flavour is used to ease pain in medicine.

The world famous mill produce of Kalocsa paprika is an authentic Hungarian spice, a “Hungaricum”, which is under national protection and source protection. It contributed a lot to the fame of the Hungarian cuisine. Paprika adds a special flair to the cuisine which still embraces the eating habits of shepherds, fishermen and hunters of the last centuries. The enjoyment of culinary specialities is also a very important motivation to domestic tourists and foreign visitors.

The use of Kalocsa paprika in folk art

We can say that spice paprika is the “number one Hungarian” plant as it bears the colours of the national flag: the crop is red, the bloom is white and the leaves are green. It is not a surprise that it has inspired artists in the past.

The spice paprika of Kalocsa has been a popular pattern in various areas of folk art of the region such as embroidery, china painting, wall painting, furniture painting in the last 100 years and it also appeared in folk poetry, tales, wedding speeches, works of writers and poets, but it also inspired painters, graphic artists, sculptors, potters and naïve painters.

One of the most ancient branches of folk art in Kalocsa is wood carving with floral patterns, which was used to prepare the wooden elements of furniture and buildings. Later coloured flowers were painted on the blue base. One classic example of this is the building of the railway station, the ornaments of which were prepared in 1937-38 and which became a monument. The other ancient branch is pottery, which uses 2-3 colours. The Potter House, where pottery is taught and national meetings of potters are held, was founded by a potter in Kalocsa in 2000. Beside the workshop a collection of pottery products can be found.

Embroidery has been done with a changing variety of colours in the last decades. Only a couple of colours (white, black, red and blue) were used in the 19th century but several more colours were added at the beginning of the 20th century. People started to use the colour “*paprika red*”, which got its name from the spice. Flowers are the most frequent among the patterns, but you can also find images of paprika there. Embroidery was primarily done on the textiles of the household, later on the pieces of male and female clothing. Folk songs and dances are performed by folk dance ensembles who wear traditional costumes. St. Stephen’s Order of the Knights of Kalocsa Paprika was founded in 2001. The aim of the order is to foster the traditions linked to paprika and enhance its fame.

Tourist sights and events in Kalocsa

There are lots of sights and events to enjoy for those who visit the region. The Cathedral, which was built in Italian Baroque style in the first half of the 18th century, is situated in the town centre. Its organ was installed in 1923. The Cathedral Library is in the Archiepiscopal Palace, it contains more than 177,000 units, among which you can find some ancient prints and books in special bindings. The Archiepiscopal Garden is the greatest park in town. A collection of unique church treasures can be seen in the Archiepiscopal Treasury. *Religious tourism*, which was always important for the town in the modern age, has expanded: buildings, church events and organ recitals are visited even by those who do not have religious commitments.

The Folk Art House, which was decorated by craftsmen and women of the region, is a peasant house decorated with folk art patterns.

The Paprika Museum demonstrates the past of spice paprika production and processing and the tools used for these procedures.

The Kalocsa China Manufactory, where china is painted and even produced, was founded in 1971. It offers 200 pieces of various hand-painted fancy goods, painting of customised patterns is also done here. About 60 thousand items are produced here every year. One third of the receipts comes from the export of products with patterns of Kalocsa and foreign hired work. Half of the products are sold to foreigners or delivered abroad as souvenirs.

Events organized in Kalocsa bear a unique atmosphere. The most important event is the Danube Folklore Festival, which takes place in every 3 years. The town and the archiepiscopacy hold Saint Stephen Days between 15-20 August every year. Bluebird Festival is a classical music festival of three days at the beginning of each June. Kalocsa Paprika Days together with the picking of the crop are celebrated in the middle of September. It includes a scientific consultation, a fine art exhibition, a classical music gala and a picking ball and procession. The Cooking Competition of Foods Containing Paprika is getting more and more popular with domestic and foreign visitors.

Interactive tourism and traditionalism has been a part of tourism in Kalocsa for a long time. Visitors can observe various folklore activities and the elements of production, but they can also participate in the action testing their skills and abilities. So they can try embroidery, egg painting and machine sewing. They can participate in picking paprika and string the produces which they can then take home. Thus, visitors can gather first-hand experience about life in general, arts and agriculture and so they might become more interested in all kinds of products of the region.

Tourism in Kalocsa

Tourism in Kalocsa is characterised by one-trip short stays following a general pattern that is typical for the whole country. Their percentage of such short trips in all the trips was 64.0 % in 2004, 72.4 % in 2005, 75.8 % in 2006, 78.1 % in 2007, 77.7 % in 2008 and in 2009. So the percentage has been growing continuously since 2004 and nowadays it is around 77 %.

Tourists used to come to Kalocsa in buses and cars arranged by package tour dealers in the 1970s. Since 1988 it has become very popular to come by boat for sightseeing. These boats are real floating hotels for 100-200 passengers, which means that people do not need accommodation even if they spend several days in the town. The infrastructure of the Danube port has been improved lately, and now there are actually two ports built in 1988 and 1990 to meet the increased demands. This is the third busiest port serving passengers in Hungary now. Visitors are taken in buses into the town. Currently, there are 3 travel agencies offering guided tours, admission to sights and counselling on eating. Guides have a good command of several foreign languages, are well-prepared and agencies are very satisfied with their work.

1500 visitors came to Kalocsa in 1976, 90 % of whom were German tourists. The same number of tourists arrived until 1990, but a growing percentage of the tourists (about 5 % each) were American, Japanese and French. The proportion of German visitors decreased from 2000 with the proportion of tourists from Scandinavian countries growing to 15 % and that of Americans growing to 20 %. 350 callings at the port were registered in 2009 bringing 50,000 visitors. Tourists spent an average time of 6-8 hours with sightseeing.

The tourist market was fundamentally transformed with the above mentioned changes as visitors coming by buses have different demands from those of visitors arriving by boats. The latter guests do not need accommodation or meals since they can get everything on the boat. This has had a very bad effect on the revenues of hotels and restaurants of the town.

The number of tourists visiting Kalocsa has not increased significantly in the last years. One reason for this is that the population in the former socialist countries has had more choice to pick their travel destinations since the change of regime.

There are several options to promote tourism in Kalocsa: improving marketing, encouraging the risk-taking propensity of entrepreneurs and cooperation of activities. It would be very useful to publish a new, detailed tourist booklet which could provide more information to the tourists. Visitors

can gather information and find travel offers on the internet these days. Kalocsa joined the system “*eHungary*”, but the service is not continuous. Another option is to install a boat and port serving unit to provide fresh water and fuel to the visitors. This could generate some revenues since a hotel boat on the Danube needs about 100-200 tonnes of fresh water depending on its size. This investment could promote yacht tourism from the Rhine-Main-Danube Canal.

Bibliography

1. Csapai, Tamás (2009): Kalocsa város helyzete a beutazó idegenforgalomban, Értékelő jelentés, Kalocsa-Gold Tours
2. Kapitány, József (2005): A magyar fűszerpaprika kutatás-fejlesztése és eredményei, Tudományos Mozaik, 2. kötet. p. 57-61. Issued by Tomori Pál College (ISBN 978-963-06-3028-3)
3. Romsics, Imre (2001): Kalocsai paprika anno...Paprika és cégtörténet, Paprika Rt., Kalocsa
4. A Magyarországra látogató külföldiek utazásainak jellemzői az utazás célja szerint (2007), Statisztikai Tükör I. évf. 53. sz.
5. http://portal.ksh.hu/pls/ksh/docs/hun/xstadat_eves/i_ogt002a.html
6. www.paprikart.hu – official website of Kalocsai Fűszerpaprika Zrt

Contacts

Katalin Daubner
2-4., Szent Istvan kiraly ut,
Kalocsa, H-6300, Tomori Pál College
Hungary
E-mail: daubner.katalin@tpfk.hu

József Kapitány
2-4., Szent Istvan kiraly ut,
Kalocsa, H-6300, Tomori Pál College
Hungary
E-mail: jokapitany@freemail.hu

Rózsa Meszlényi
2-4., Szent Istvan kiraly ut,
Kalocsa, H-6300, Tomori Pál College
Hungary
E-mail: meszlenyi.rozsa@tpfk.hu

Tourism at Historic Buildings and Monuments – a Key Sector of Tourism of the Future

Katalin Daubner – Rózsa Mészlényi – Olga Szűcs
Tomori Pál College, Faculty of Arts

Abstract

The main point of our study is that this present age is not only about suffering from and speculating on various crises in succession but rather inducing fundamental changes which respond to the needs of society. Higher education plays a key role at this stage for many aspects. Experts are trained at colleges and universities who may take advantage of their skills and commitment and determine processes of solving problems that society has to face every day.

The aim of the Humanities Course is to teach skills and approaches meeting the social and economic demands which focus on the tasks of global economy and global culture. This presentation will demonstrate this concept and practice of education.

Key words

education, cultural tourism, historic buildings, monuments

The fundamental changes of the recent years have set education and higher education to new challenges. These challenges together with the effects of the economic crises brought about new tasks to solve for the whole society. It has become obvious that a new generation of young professionals who can face the challenges of the crises cannot be trained without the help of a modern way of higher education. But the question emerges: what is a modern way of higher education at the beginning of the 21st century? To answer this difficult question, first we will have to go back to the roots of the problem. In our hypothesis, one of the most important reasons for the current social-economic crisis lies in the fact that the balance, the cooperation and the harmony between economy and culture, which have more or less prevailed in the course of history, became disintegrated and economic issues gained far more weight compared to cultural issues.

One of the harmful consequences of this process was the spiritual culture being pushed into the background by pragmatism. The clear, theoretically ungrounded pragmatism comes into conflict with its own objective – the

successful practice. To dissolve this conflict, we will have to re-establish fruitful cooperation between practice and theory, economy and culture. Supported by this ideal, Tomori Pál College has re-defined the classical practice of training arts students.

We think that arts represent the joint spiritual and scientific basis on which economics and other sciences can be built and scientific research into and exploration of the principles of various social and artistic forms of conscience can be carried out. We are of the opinion that any solution to global problems must begin at regional or local levels and such solutions can only be successful if the elements of the process are present in higher education and in a training that encourages people to take ethical responsibility. One-sided, separated disciplines based on only one of the sciences of economics and arts cannot be effective any more.

The most important function of arts in our view is to shed light on the connections at the bottom of social and human thinking, the exploration and implementation of which could foster effective functioning of all the spheres of society. All the more so, because contradictory processes of globalization need creative solutions to various – before unknown – economic, social and cultural problems. Addressing these issues is not possible with methods based on economic mechanisms and separated from culture. Modern arts embracing complex social responsibility can serve as a catalyst to the integration, penetrability and understanding between sciences and spiritual forms of conscience and the establishment and development of tolerance and a dialogue between such areas.

In this context, our objective is not merely to transmit knowledge to the students but to teach them the fundamentals of a responsible, value-oriented, system-like way of thinking. To establish the conditions to human resources who can overcome the new challenges, we need to train creative and broad-minded professionals who – integrating their knowledge and in the possession of the proper theoretic and practical skills – can both perform their operational duties at a high level and contribute to the solution of deep social problems and conflicts.

Global trends of the recent years have brought about the appearance of some growth industries, among which tourism is one of the most profitable ones. **Cultural tourism** as an important part of global tourism focuses on the protection and introduction of the cultural heritage of the different nations in the European Union and globally. This trend also underlines **the basic importance of arts in society**.

One of our fundamental statements is that arts represent an eternal and authentic form of self-expression that displays the *Zeitgeist* with the help of especial means. This statement means that arts are some of the best sources from which we can learn about the world. We can risk saying that arts respond to the phenomena and problems of the given age faster and with more sensitivity than social sciences do. The contemplation into the artistic contents and modes of expression tells a lot about the structure of our world.

If we want to understand the processes evolving at the bottom of society, we will have to learn and understand the artistic adventure world that indirectly but accurately depicts society. It is hard to separate rational and emotional and intuitive ways of understanding artistic depiction as artistic reflection – just like human emotional reaction – is not irrational but involves a lot of regularities that can easily be traced. Thus, esthetical and philosophic thinking must revive in our age: the internal logic and self-motion cannot follow the self-serving and autonomous path of the recent decades. We have to go back to the synthetic and cross-disciplinary way of thinking that aims to explore the basic processes of the environment to solve specific problems. This way of thinking takes the form of *clear terms*, the distribution of which is one of the most important missions of these disciplines.

This task not only demands a permanent contact with and a reflection to contemporary art and a dialogue with it, but the involvement of such disciplines as economics, psychology or pedagogy into our thinking. The self-serving flair of philosophy and aesthetics must be carried along both as a service and as a means. The means of philosophic and aesthetic thinking are especially important to the humans of the present age as people have naturally formulated some questions about the essence of contemporary art since the slogan “the end of art” was announced. Fundamental questioning of aesthetic canons in fine art has been the most important change in the last century which can be seen in the radical changes in artistic forms. The scale of these changes involved a partial questioning of the existence of arts and a refusal to deem works as works of art from the part of the consumer.

As it happened several times before in the course of historical changes of culture and arts, we are facing once again the same problems: a shift in social-economic conditions provoked new forms of expression in art which can no longer be described properly with the former terms of canonized art expression and categories on one hand and the permanent or – if you like – eternal spiritual structures gained new forms which reflect the new spirit of our age on the other hand.

If we depart from our hypothesis that art is one of the most accurate ancient human means to express the spiritual mood and the relations of the people to the world in a given age and we strive to learn about arts, we will acquire a picture not only about art itself as the object of contemplation but we will better understand the essential nature of the surrounding world as well. This interpretation of art was induced by fundamental changes in artistic trends reflecting the environment. Art can no longer be contemplated in an autonomous form separated from society.

Art is an integral part of social-economic and historical procedures and at the same time it is a very accurate means of depiction and influence following the regularities of feedback. This approach and tendency definitely projects a growth in demand for professionals with arts education, economic skills and knowledge of foreign languages. Cultural tourism as a growth industry requires the training of high qualified and broad-minded art historians who have an insight into social and economic issues.

The hierarchical structure of subjects at the Faculty of Arts at Tomori Pál College is based upon the logic of such requirements and aspirations. To reach our goals, we have completed the subject at the faculty with deep factual knowledge of cultural and social sciences, psychology and pedagogy and economic contents which can help the students to make well-founded decisions to form their careers after graduation. At specialization of the History of Art of the Faculty of Arts professionals with a social scientific and art background who can properly comprehend the importance of embeddedness of arts in social sciences are trained.

Acquiring the knowledge related to the theory and history of art, cultural history, creative science, sociology, psychology, students will be able to contemplate art and its forms of appearance in history with a scientific approach and a value-oriented thinking as one of the most adequate forms of self-expression. Art history knowledge is completed with economic and guiding skills to improve the position of our students at the labour market. Parallel with the academic training, students can do a course in guiding. This can help them to become high-qualified experts with a professional knowledge in art history that are in demand if they do not choose to attend further training courses acquiring a master degree.

The objective of the acquisition of general and professional competencies is not only to enable the students to acquire skills that can help them with their further subjects and to form a special commitment to quality, but to contribute to establish a critical approach, a way of thinking in cohesions and systems and to develop logical and methodical skills and a practical ability of problem

solving. Sociological and communicational theoretical subjects explore the links between social structures.

In our course of education we make it clear that cultural and artistic institutions can fulfil real human and social needs, the operation of such institutions is economical and rentable and the professional knowledge of the people working at these institutions represent a value and interest for the global national economy. Even more so, as socialization to intellectual and artistic sensitivity has already become a global phenomenon in the information society.

A demand for our graduated students primarily appears in cultural and art institutions, public collections, museums, art galleries, cultural centres, community centres, houses of valuation of works of art, publishing houses and editorials of magazines, travel agencies, the media, social scientific institutions, art research institutions and workshops. They can also find employment in various areas of public sector such as local governments or institutions related to the cultural and art life of minorities. Graduated students may set up their own business taking advantage of the economic, entrepreneurial and guiding skills acquired at the college.

Bibliography

1. Danto, Arthur C. (1997): *Hogyan semmiszte ki a filozófia a művészetet?* Budapest, Atlantisz Könyvkiadó. 1997.
2. Magyar Beck István (2003): *Kulturális marketing és kreatológia.* Budapest, Semmelweis Kiadó.
3. Mezei Árpád (1984): *Elméletek és művészek.* Budapest, Gondolat Kiadó. Szűcs Olga (2006): *A közgazdasági paradigma a kortárs képzőművészetben.* In: *Gazdaság és/vagy Kultúra?* (Szerkesztette: Karikó Sándor), Gondolat Kiadó.
4. Szűcs Olga (2007) : *A szent és a profán – gondolatok a művészet határaitól.* In: *A szent művészet és az ikon.* Szlav Történeti és Filológiai Társaság, Szombathely.

Contacts

Katalin Daubner
2-4., Szent Istvan kiraly ut,
Kalocsa, H-6300, Tomori Pál College, Hungary
E-mail: daubner.katalin@tpfk.hu

Rózsa Meszlényi
2-4., Szent Istvan kiraly ut,
Kalocsa, H-6300, Tomori Pál College, Hungary
E-mail: meszlenyi.rozsa@tpfk.hu

Olga Szűcs
2-4., Szent Istvan kiraly ut,
Kalocsa, H-6300, Tomori Pál College, Hungary
E-mail: szucs.olga@tpfk.hu

To Be Green or Not: A Survey Based on 3, 4 and 5 Stars Hotels in Canakkale City Center

S. Emre Dilek – Ekrem Tufan
Canakkale Onsekiz Mart University

Abstract

Nowadays, companies no matter what industry realize that they can not sustain their companies life without having environmental sensitivity. For instance, the largest food company in Germany Hipp which produces baby foods, % 70 of inputs are ecological. Moreover, the biggest grocery store group in England Tesco sell green products in 145 of their 600 stores (Ekinci;2007;76). Also, international accommodation companies in service industry such Four Seasons, Best Western, Ibis Hotels protect to environment thanks to using renewable energy resources. Besides they also save to money in their business activities. So companies suppose to consider environment effects of their activities and add them to their strategic plans. That kind of environment activities and marketing strategy that to take note of environment implications are called 'green marketing'.

Defined as environmentally-sensitive marketing, green marketing is applied as a green hotel by accommodation establishments, and as a result of this application, hotels are entitled to be awarded a green star certificate. While those international hotel establishments which have become a brand are carrying out important activities with respect to the green hotel practice, it might be stated that hotels in Turkey are at the beginning level concerning sensitivity to the environment. In the study, the literature on subject was examined and focused on green practices of 3,4 and 5 stars hotels in Canakkale city center. Indeed, their attitudes and perceptions were tried to determine with deeply interview method.

Key words

Green marketing, tourism & green marketing, green hotel, green tourism, Canakkale Turkish tourism

1. INTRODUCTION

It is observed that environment notion and viewpoint of people to environment has significantly altered with social, economic and politic developments together recently. After Industry revolution that has begun in

England, chimney gases, poisonous wastes and other wastes which are owing to overindustrialized have caused serious environmental problems.

Furhermore, desirous and careless production desire of people causes to use as if the resources never give out. Also, production and consumption wastes begin internationally to dirty sea, lakes, rivers and lands. So many countries direct to look for some international solutions how to clean this pollution around the world.

Nowadays, all societies come up against crucial threat owing to global climate change. Global environment problems can be solved by global partnership and co-operation. The first comprehensive regulations concerning the environment was made in the early 1970's. Hereafter in 1987, the concept of sustainable development that was emerged by the World committee on environment and development is the basis of green marketing (Eren&Yılmaz;2008). This concept means that "to meet today's requirements without compromising from the ability of future generations to meet their needs" It brings about that companies have different viewpoint.

Nowadays, companies no matter what industry realize that sustain to their companies life without having environmental sensitiveness. So they have to keep environmental dimension of their any activities into their business strategy and long-term plans.

Also, environment in tourism industry is absolutely important element. So it can not be expected that tourism establishments are insensitive about environment. Considering the principle of "sensitivity to the environment", many tourism establishments have adopted the understanding of green marketing for reasons such as environmental pollution, impairment of the natural life, consumer trends, competitive pressure and the legal sanctions of states.

2. IMPORTANCE & PURPOSE OF SURVEY

Practices of hotel management for the protection of the nature and for sustainable tourism, referred to as green hotel management, help both energy saving by accommodation establishments and the reduction of wastes left in the nature. Green hotel practices are regarded as a vacancy, the importance of which is gradually increasing in the sector. Therefore, establishments are headed for green hotel practices and carry on various activities in the name of eliminating the vacancy concerned. From this point of view, purpose of this study is to determine perceptions and attitudes of 3,4,5 stars hotels in Canakkale city center about green practices.

When it comes to importance of the survey, there are two reasons:

- It is the first study about relationship between accommodation companies and green marketing implications,
- Tourism is largely a part in city vision, so while making a decision about city in future, tourism always will be the most important thing.

3. METHOD OF SURVEY AND RESEARCH FIELD

In the study, the literature on subject was examined and focused on green practices of 3,4 and 5 stars hotels in Canakkale city center. Indeed, their attitudes and perceptions were tried to determine with deeply interview method which is one of the qualitative methods. Because of collecting data an interview form was prepared and improved before interview. In the first part of that interview form are there special features of hotels and hotels managers. In the second part was asked if they have programme about environment applications. Furthermore there are other questions about their member of environment society and if they employ someone about environment like environment engineer. Besides it was asked whether there is a competitive advantage on purchasing behaviour of consumers of environment-friendly hotels. Also, in the last part are there questions about their waste management, water and energy saving, environment certificates. Finally, their green hotel practices and requirements in the process of being green hotel was examined and determined some suggestions.

4. RELATIONSHIP BETWEEN TOURISM AND GREEN MARKETING

Tourism has lots of varieties. One of those is clearly natural and cultural environment. As known environment is one of the most important resources of tourism. In addition, it can not be thought that tourism and environment are separated. So it is clear that tourism which is developed against nature and environment, destroy its resources. Orderly and protected environment is necessary for a successful and sustainable tourism.

Nowadays, using of resources in tourism industry is badly affected with increasing of rapidity of consumption. Harmful wastes in chain of production and consumption destroy inadequate resources and damage to environment. It can be said that the world is face to face with global dangerous because of global warming and other environment problems (air, water, noise pollution etc.). IPPC (International Plant Protection Convention) which is supported by UN (United Nations), published a report that average temperature of the World will be higher 5.8 C than today (Erdogan;2003). This increasing causes many negativeness such

a melting icebergs, rising sea level and global climate change. In a word, increasing temperature of the World means that world will be disappear.

When we think that tourism is an industry which provides % 10,3 of world total incomes and % 8,2 of direct total employment (WTTC,2006), we can clearly understand that tourism industry damaged to environment. WTO (World Tourism Organization,2000) estimates that number of international tourist will be 1.6 billion people in 2020. Besides tourists who travel in their countries are not included in this number. According to many surveys, % 90 of energy consumption of tourist become throughout round-trip. Because % 43 of international tourists go to a destination by plane, % 42 of them by bus or car, % 15 of them by cruise or train (Sagevik;2009). As a matter of fact airline transportation is one of the most important reason of global climate change (Sagevik;2009). Moreover, other tourism component (accommodation, entertainment, food&beverage, shopping etc.) which is naturally demanded by tourists, also damage to natural and cultural environment.

According to report of UN (United Nations), one tourist produces one kilo solid waste in a day (Mastny;2002). So if a tourism company has not a waste management, wastes has harmful effect on environment. Especially, many serious problems are observed during high tourism seasons and in crowded destinations. Nevertheless Bluewater Network reveal that a cruise-ship produces 3.8 billion litre washroom, bath and laundry water, 795.000 litre sewer system, 95.000 litre diesel oil, 8 ton garbages, 416 litre chemical liquid which is used for photographs and 19 litre cleaning materials during a tour.

Even only these informations show to importance of reletionship tourism-environment. So if we have sustainable tourism, we have to consider about tourism-environment relationship and improve environment programme. Otherwise, when thought about number of international tourists in 2020, it is not difficult to see that there are critical problems on sustainable tourism.

From this point of view, many companies no matter where are going concern focus on demand of consumers with environment-sensitivty approach the steps in the production process anymore. Also, this approach of companies bring about green marketing implications in tourism industry.

Green marketing firstly was discussed and defined in 'ecological marketing' seminar which was organized by American Marketing Association in 1975. According to this definition ecological marketing is a kind of marketing which has environmental-sensitivity, about positive and negative effects of marketing activities on environment pollution, energy consumption and consumption of other resources.

http://www.paradoks.org/makale/yil3_sayil/gerbaslar31.pdf

Green marketing notion that was begun to focus on in 1980's, is used as a synonymous with ecologic, environmentalist or environmental, sustainable marketing (Ay & Ecevit;2005).

Kotler (1991) expressed green marketing as a process that protects and develops prosperity of costumers and society, defines desires and needs of organization, intrests of target mass and to provide customer satisfaction more productive and effective than other competitors.

Polonsky (1994) defined green marketing as meeting needs and desires of people by causing minimum harm to environment.

By the year 2000, Clow and Baack (2007) explained that green marketing is to create and to promote products which protect environment.

Because of changes from 1980's till today, we have to point out two facts as directly proportional to each other. On the one hand as sensitiveness of customers increases, companies to go towards green marketing implications; on the other as companies go towards green marketing implications, sensitiveness of customers tend to increase.

From this point of view companies notice that green marketing understanding bring about competition advantage. Besides it is important reason that this understanding minimize to their costs. Also they realize importance of being environment-friendly hotel anymore. So environmental (green) marketing understanding start to become widespread day by day (Eren&Yılmaz;2008)

According to Foster et al. (2000), the reasons directing accommodation establishments to green marketing practices are listed as follows:

- There has been an increase in the interests of consumers in environmental issues;
- There has been an increase in the regulations on the environment;
- Hotel managers have been more interested in ethical issues;
- Hotels desire to ensure more customer satisfaction; and
- They desire to eliminate problems regarding physical appearance.

Overall, it might be stated that the indispensability of environmental quality for the tourism sector causes accommodation establishments to adopt the principle of sensitivity to the environment and, in this context, to develop the understandings of green marketing. In accommodation establishments, environmentally-sensitive green marketing practices are primarily considered under the concepts of green hotel or eco-hotel. Although both concepts have the same meaning, the green hotel practice is used more commonly.

5. GREEN MARKETING IMPLICATIONS IN ACCOMMODATION COMPANIES

Practices of hotel management for the protection of the nature and for sustainable tourism, referred to as green hotel management, help both energy saving by accommodation establishments and the reduction of wastes left in the nature.

There are kinds of reasons which point to accommodation companies at green marketing implications and green hotel practices. These reasons are competition pressure, attitudes of consumers and NGO's about environment and environment policies of governments.

5.1. Eco-labeling Criteria of European Union

Environment policies of EU attract to attention in the process of being green hotel. EU commission determined *five basic strategies* which are about improving techniques of eco-productivity, competition and creativeness. These 5 strategies are listed as follows:

(http://ec.europa.eu/environment/gpp/gpp_and_eco_labels_en.htm)

- To provide that societies voluntarily join to eco-management and control plan of EU EMAS
<http://ec.europa.eu/environment/emas/pdf/eversummary.pdf>
- Eco-labeling and criteria (It is very important quality certificate in Europe)
- Integrated shore regions management strategy about solving problems in tourism of shore regions
- To take common steps with public and private sector co-operation for sustainable tourism
- To finance to creative implications project with life-environment programme directed towards improving of environment protection (1655/2000/AT regulation published by EU)

Due to the fact that tourism establishments have the green conscious, EU support and finance to them in Europe. This attitude of EU provide advantage to tourism companies. They also give some help to this process.

Furhermore, EU determined eco-hotel/green hotel criteria with regulation of 1980/2000. Eco-labeling criteria divided to two section like indispensable and dispensable. If the establishments want to have eco-label, they have to make all indispensable criteria and some dispensable ones. Purposes of these criteria are listed as follows:

- To limit water consumption
- To limit energy consumption
- To limit waste production
- To use renewable resources

- To provide environmental education and communication

Besides, there are lots of subjects in the indispensable criterions such a heating system, energy, water resources, waste management, cigarette areas, transportation, sharing information, general management and service. Also, in the dispensable criterions are there some subjects directed towards energy, water, dangerous materials and general management rules to take points. Total point to take from dispensable criterions should be minimum 16.5 point. If a tourism establishment has ISO 14001 certificate, they don't have to make something about general management criterions.

5.2. Green Hotel Certificate Criterions of Tourism Ministry of Turkey

The increasing sensitivity of tourism-related institutions, the NGOs, tourism establishments and consumers to the issue of environment brought about some applications in Turkey within the scope of green marketing. The green star certificate system applied by the Ministry of Culture and Tourism in Turkey can be shown as an example to this. Considering international criteria and the experienced developments within the scope of green star practice, a scoring system was prepared. The criteria concerned are outlined as follows:

- a) Establishments should have an environmental policy and an action plan.
- b) There should be a special authorized person to apply the action plan at the establishment or besides an authorized person in charge of the application at the establishment, this service should be obtained from an expert or a specialized firm.
- c) The establishment should provide the staff with training to promote environmental sensitivity and create environmental measures and an action plan.
- d) There should be an environmentally-sensitive waste water plan.
- e) Records should be kept indicating that the protective maintenance and repairs of all installments, equipments and devices used at the touristic accommodation establishment are performed periodically.
- f) The establishment should collect and monitor data with respect to water consumption, energy consumption for heating and cooling, electricity consumption and general energy consumption (Energy consumption per indoor m² or per overnight stay, the preparation of monthly, three-month and annual reports and their preservation in files).
- g) The chemical substances (in volume and/or weight) used in the establishment should be monitored and the data (Consumption per indoor m² or per overnight stay, the preparation of monthly, three-month and annual reports and their preservation in files) should be collected.

- h) The amount of waste (volume and/or weight) occurring in the establishment should be monitored and the data (Consumption per indoor m² or per overnight stay, the preparation of monthly, three-month and annual reports and their preservation in files) should be collected.
- i) The following documents are updated and preserved in a file in the establishment that operates in an environmentally-sensitive way:
- An annual report prepared concerning all activities of the establishment in compliance with its environmental policy and action plan,
 - Documents such as the invoice and report by the producing firm indicating that the installments, equipments and materials, used and elaborated in this form, are environmentally-sensitive, that their maintenance is performed regularly and that they are about the environmentally-sensitive activities performed in the establishment; an introductory brochure; the invoice and report by the firm that performs maintenance; the document of the related institutions and organizations; engineering and architecture reports; the report of the related vocational institution and etc.,
 - The training program and certificates of the employees regarding sensitivity to the environment as well as the documents distributed and declared to the staff and customers,
 - Documents on the activities of cooperation and coordination with non-governmental organizations and the related institutions and organizations about sensitivity to the environment.

Table 1 Green Star Minimum Score Table

RESORT ESTABLISHMENTS		CITY ESTABLISHMENTS	
CATEGORY	Minimum Score	CATEGORY	Minimum Score
5 Star holiday Village	330	5 Star Hotel	250
5 Star Hotel	300	4 Star Hotel	200
4 Star holiday Village	280	3 Star Hotel	170
4 Star Hotel	230	1-2 Star hotel and other	140
3 Star Hotel	170		
1-2 Star hotel and other	140		

Source: Ministry of Culture and Tourism of Turkey
<http://www.kultur.gov.tr/TR/Genel/BelgeGoster.aspx>

5.3. An Example From International Area (Ibis Hotel)

One of the leading establishments regarding green marketing is Ibis Hotels, the leaders of economical hotel accommodation marketing. It is seen that the environmental responsibility of Ibis Hotels and the activities they carry out are directly proportional to their position in the economic market and that they consider the characteristics of consumers when suggesting new products or determining and planning their products (<http://www.ibisenvironment.com/gb/index.html>). Therefore, the management of Ibis Hotel Management considers the environmental sensitivity of consumers and the activities they perform regarding this issue. Furthermore, it might also be stated that consumers take the activities of Ibis Hotels into consideration and that they support the activities and attach particular importance to them in their selection of hotels. Within the scope of this environmental sensitivity, Ibis Hotel published its own environmental strategy in 2002 (http://www.ibishotel.com/pdf/press-public-relations/green_press_kit_gb.pdf).

The strategy concerned is collected under four essential titles:

- Water saving
- Energy saving and the supporting of renewable energy
- Decomposition of wastes and ensuring that they are recycled
- Provision of training and information flow to enhance the environmental awareness of the guests arriving at the hotel and of the employees

In this context, Ibis Hotel became the first international economical hotel chain that obtained ISO 14001 certificate in July 2004 (<http://www.ibisenvironment.com/gb/index.html>). Helen Roques, the director of the department of sustainable development in Accor group, states that “with 204 hotels with ISO 14001 certificate in 2007 and 244 hotels with ISO 14001 certificate in 2009, Ibis Hotel is the pioneer and apple of the eye among the hotels within the Accor group and that the expansion of the brand network of Ibis chain of Hotels, with 800 hotels in five continents, has been facilitated with these activities” (http://www.ibishotel.com/gb/press-public-relations/dossier_presse.shtml). It is observed that Ibis strengthened its quality with its activities within the scope of the Earth Guest Program that was published in 2006 by the Accor group. When all these activities of Ibis Hotel are considered in detail, it can be understood how much interested it is in and how willing it is about sensitivity to the environment. Philippe Lanternier, the Director of Certificates of Safety, Health and Environment at Ibis Hotel Management, states that it is the Ibis Hotel Management which is the first

international economical hotel chain that received ISO 14001 certificate (<http://www.ibisenvironment.com/gb/index.html>). It is seen that the Ibis Hotel Management group has intensified its environmental projects regarding ISO 14001 quality certificate, water, energy and waste management, and training on environmental sensitivity.

5.4. An Example From National Area (Best Western Istanbul)

Best Western President-Istanbul Hotel is the first accommodation establishment in Istanbul and the second accommodation establishment in Turkey to be entitled to get the green star certificate. It is seen that BW President Istanbul, the first city hotel with a green star in Turkey, has a green hotel policy (<http://www.thepresidenthotel.com/content.asp?pid=&cid=131>). The principles specified according to this policy can be itemized as follows:

- To adhere to legal regulations, the legislation on the environment and other liabilities;
- To hand a livable world down to the next generations for sustainable life and tourism;
- To follow scientific research and technological developments in new investments and projects, thereby preventing environmental pollution and continuously developing environmental performance;
- To use and conserve resources in the most efficient way;
- To reduce wastes at their source as much as possible or to separate the used packages and other reusable wastes from general garbage, to collect them under clean conditions and to ensure that they are recycled;
- To reduce the use of hazardous substances in the service processes and to use those substances which have less contaminating characteristics;
- To contribute to continuous development by creating environmental aims and objectives and to prepare activity reports by reviewing these objectives every year;
- To promote the environmental responsibility consciousness of all employees from top management to the lowest unit by providing all employees in the establishment with trainings about the environment;
- To inform those guests who stay in the establishment to this end and to ensure that they participate in activities of protection of the environment;
- To support the environmental activities of official and private institutions and to participate in environmental activities;
- To allocate adequate and appropriate sources in all these activities; and
- To work with those firms which produce environmentally-sensitive products and services.

In line with these policies, Best Western President Istanbul Hotel created a Committee of Environment, consisting of all department managers at the hotel and an environmental engineer, for the first time at the beginning of 2009. This Committee specified the activities to be performed with an annual plan. The activity report concerned included the activities performed for a green star: (Atay et al.;2010)

- Before all, the employees were informed about the activities to be performed. Within this scope, the employees (there are over 200 employees) are provided with trainings at specific periods.
- The Committee of Environment held regular monthly meetings and exchanged ideas.
- Within the framework of the plan, a renewal activity amounting to over 3 million dollars was performed also with the support of the management.
- Cooperation was made with the Tema Foundation (The Turkish Foundation for Combating Soil Erosion, for Reforestation and for the Protection of Natural Habitats) in the process of becoming a green hotel, and some 2,000 saplings were planted in order to green a burnt forest region again in Tekirdag.
- The garbage is categorized into plastic, cardboard and glass, given to a private institution, with which Fatih Municipality works, and recycled. Moreover, some amount of glass is collected monthly using a glass collection bank placed outside the hotel and it is given to this private institution again. Some money is received in return for this and this money is transferred to needy people. In this way, the understanding of environmentalism involves the social responsibility project, too.
- Properties such as worn-out beds, bed sheets, tables and chairs, which do not comply with BW hotel standards, are given to hospitals.
- Regarding the use of energy, the expenditures of energy have been kept monthly since 2006. In this way, whether there is any increase in the use of energy and, if available, its causes have been investigated.
- It is planned to ensure that the emergency lights on the floors will be fed with wind energy as of 2010 within the scope of the renewable energy project.
- The infrastructure of the solar energy system was constructed in 2009, and it is planned to complete this project in 2010. Besides, joint activities are performed with Schneider Electric and Philips, and it is intended to ensure that the electrical equipments are energy-saving and long-lasting.

- All light bulbs at the hotel were replaced with energy-saving light bulbs.
- The fluorescent lamps at the hotel (deleterious since they contain mercury vapor) were collected and given to a private institution again.
- There are battery collection boxes on each floor of the hotel and in other shared areas. These batteries are collected and given to a firm, with which Fatih Municipality has a contract.
- There are recycling boxes in the rooms, in all department offices and in all general areas of use.
- Furthermore, there is a system in the rooms that ensures the use of maximum six liters of reservoir each time so that water is saved in the lavatories.
- There are water-saving apparatuses in all taps at the hotel.
- There are recycling boxes, informative forms and warnings in each room. In addition, bed sheets and pillows are changed upon request.
- The shampoos, soaps and similar materials in the rooms are bought in compliance with recycling.
- The plastic laundry bags were replaced with paper bags.
- Each lavatory contains warnings regarding all activities performed.
- Various institutions and organizations (ISKI [Istanbul Water and Sewerage Administration], Municipalities, Banks and etc.) are consulted and informed about their involvement in this process, and joint activities are carried out.
- Moreover, with the votes of hotel customers in 2009, BW President Istanbul ranked among top 10 in the world in the category of the cleanest hotel and achieved great success.

6. RESULTS OF THE SURVEY

The survey was realized owing to in dept interview method with 3,4 and 5 stars hotels in Canakkale city center. Interview form which was prepared before interview was used as a data collecting means. While preparing this form, the following sources are consulted: Gil (2001), Manaktola and Jauhari (2007), Erdogan and Baris (2007), Eren and Yilmaz (2008).

There are three section in interview form. General special features of the hotels and status of persons who were interviewed are in the first part. So these are listed in table-2 as follows:

Table 2 Characteristics of Hotel and Managers

Hotels	Qualifications	Interviewed Manager
Hotel 1	3 star	Hotel Manager
Hotel 2	5 star	Front Office Manager
Hotel 3	3 star	Hotel Manager
Hotel 4	4 star	Front Office Manager
Hotel 5	3 star	Front Office Manager
Hotel 6	3 star	Sales & Marketing Manager
Hotel 7	4 star	Front Office Manager
Hotel 8	4 star	Front Office Manager
Hotel 9	3 star	Sales & Marketing Manager
Hotel 10	4 star	Hotel Manager

As seen in table-2, ten hotels in Canakkale city center was interviewed. There actually is one more hotel with 3 stars in city center, which did not want to participate in our survey. There are one 5 star hotel, four 4 star hotels and all the rest are 3 star hotels. Besides five managers in the study are front office managers, three of them are general managers and the others are sales and marketing managers.

In the second part, there are general evaluations which are about environment-protect of the hotels. They can be seen in table-3:

Table 3 General Evaluations About Environment-protect

Questions	Yes	No
Employee responsible about environment-protect	5	5
Membership of certificate programmes or environment establishments	4	6
Environment prize	2	8
Written environment policy or a report of Environmental Effect Evaluation	2	8

In the study, there are only two hotels which has environment policy. It shows that hotel in Canakkale don't care about environment. While they use resources, they don't protect the environment. So it is vital issue for sustainable tourism and environment in Canakkale.

Also, the other most important thing in second part of the study is effects of green hotel practices on consumers. It is crucial if these practices are effective on purchasing behaviour of consumers. Because as it has been stated previously, competitive pressure is very important due to the fact that tourism establishments become implementers of green tourism. These informations are given in table-4:

Table 4 Effects of Green Hotel Practices on Purchasing Behaviour of Consumers

Hotels	Effective	Ineffective	No idea
3 star hotels	three hotels		two hotels
4 star hotels	three hotels	one hotel	
5 star hotels		one hotel	

In table-4, six hotels think that green hotel practices are effective and provide to them competitive advantage in the sector. Two hotels said that these practices are ineffective for them. So they don't want to do something about environment. Two hotels also say anything about that subject. From this point of view, it can be said that most of hotels ponder that these implications are absolutely important.

The last part of interview form, it was tried to determine what kind of practices have the hotels and level of their sensitiveness about to be environment-friendly hotel or green hotel. According to this point;

- It is not enough that the hotels give information to their employee about environment. Only three hotels sometimes train to their employee. Besides meetings are organized by Canakkale Hotels Association as a monthly or weekly. Also, environmental problems are discussed in the meetings.
- Most of hotels (seven of them) have information enough about ISO 14001 and Green Star Certificate which is given by Tourism Ministry of Turkey. Other hotels know anything about them.
- The hotels usually use environment-friendly products (organic agriculture products, renewable products etc.). Only two hotels are insufficient about that.
- Dangerous wastes are decomposed and waste oils and foods are given to establishments working under an agreement or Municipality of

Canakkale by six hotels. Municipality of Canakkale take to waste foods from the hotels to shelter of animals.

- While half of hotels are sensitive about purchased renewable products, the others do not care about that. But all hotels don't purchase one-used equipments (plastic cups, plates etc.).
- Because they want to save energy, all hotels use energy savers and economical lamps in their hotel rooms. They express that energy is very expensive so they have to use these equipments. Besides they use sensor and timer in general area. They save around %25-30 in a year due to these practices. Moreover, only two hotels partly use sunshine energy (renewable energy).
- All hotels in Canakkale city center are comparatively less successful regarding water saving. Especially, there are problems to refine waste waters and discharge them into outside (garden of hotel, pool etc.). even if the hotels in centrum want to do something about this practices, they don't anything. They emphasize that it is impossible to do something due to their location.
- All hotels normally change towels and sheets however customers want. But they said that 'it is impossible. Because tourists who come to Canakkale stay just one day'.
- Dirty clothes are decomposed by most of the hotels (7 hotels) in respect to their level of dirtiness. Besides, they have washing and drying machines which provide water and energy saving.

The study indicates that the hotels in Canakkale are sensitive especially about energy management. But this sensitivity is not motivated by green hotel policy, it is motivated by high energy costs. Furthermore, other green hotel (environment-friendly hotel) practices of the hotels are insufficient. There are two reasons. First, because high cost of investments are necessary to be green hotel. So the hotel owners avoid these investments. Second, they do not believe that they can realize these practices because of their locations in city. City hotel managers emphasize that being a city hotel is disadvantage for green hotel practices.

In short, it can be said that the hotels in Canakkale have some green practices, but these are inadequate, yet.

6.1. Evaluations and Suggestions

Green hotel practices, which best express sensitivity to the environment, primarily require serious investments. The reason why hotels hesitate to become a green hotel is generally the consideration of short-term profit and

the high cost of investments. Taking steps towards green marketing might be more difficult for city hotels due to the problems resulting from urbanization.

The hotel authorities in the study also emphasize that being a city hotel creates some disadvantages to the realization of environmental projects. Because city hotels are surrounded by a city due to their locations, they are exposed to variables in which they cannot intervene. For instance, there are exogenous factors they cannot control such as air pollution, noise pollution and traffic. Thus, the environment-friendly city hotels are as if they were islands surrounded on four sides with environmental problems within the respective life course of the city. Therefore, its external stakeholders also need to be included in, and support, the above-mentioned process.

In order to make the understanding of green hotel management widespread and to apply it, first of all, hotel owners and managers have to attach more importance to environmental sensitivity, determine long-term policies and be willing to plan this with all its stakeholders. The fact that local governments and central law-making governments make legal regulations and practices, which will force hotels, for environmentally-sensitive practices will have an effect of accelerating the development of environmental sensitivity and consciousness. It should be borne in mind that consumers' sensitivity when choosing environmentally-sensitive establishments while participating in tourism and while staying is one of the most important elements to contribute to the development of green hotel management. Thus, becoming conscious of the environment in the dimensions of both supply and demand is unavoidable for green hotel management.

Bibliography

1. Ay C. ve Zümrüt E. (2005). "Eco-informed Consumers", Journal of Economics and Administrative Sciences of Akdeniz University, vol. 10, p.238-263
2. Atay L., Dilek E.S., Yıldırım M.H. (2010) "Green Hotel Management and Green Star Practice: A Case Study Of Best Western President Istanbul Hotel", p.496-507, 6th International Scientific Symposium on Business Administration
3. Clow, Kenneth E., Donald Baack (2007). *Integrated Advertising Promotion and Marketing Communications* (3rd Edition): Pearson-rentice Hall
4. Ekinci T.B. (2007), Occured Problems during the Practices of Green Marketing and A Case Study (master programme thesis), p.65-72, Marmara University , Business Administration, Istanbul
5. Erbaşlar G. (2007), "Green Marketing", Journal of Paradox Economy, Sociology and Politics, www.paradoks.org, ISSN 1305-7979, year.3, vol.1
6. Erdoğan N.(2003), Environment and Eco-tourism, p.54-55, Publisher Erk, Ankara

7. Eren D. Yılmaz İ. (2008), Green Marketing Practices in Accommodation Establishments: A Case of Nevsehir, p.290-300, 13th National Marketing Congress, Turkey
8. Erdoğan N. ve Barış E. (2007), ‘*Environmental Protection Programs and Conservation Practices of Hotels in Ankara, Turkey*’, Tourism Management, No.28, s.604-614
9. Foster, S.T., Sampson, S.E., Dunn, S.C. (2000), "The Impact Of Customer Contact On Environmental Initiatives For Service Firms", *International Journal of Operations & Production Management*, Vol. 20 No.2, pp.187-203
10. Kotler, Philip (1991), “Marketing Management, Analysis, Planning, Dmplementation and Control”,p.26, Sevent Edition, Prentice Hall International, USA
11. Mastny L. (2002) State of the World (193): 50-52, TEMA Editions http://www.euforic.org/list_url.phtml?modus=ftsearch&orderby=date00&password=9999&text03=185&text04=&text05=1&text06=&text13=&username=guest%40euforic.org (24/03/2010)
12. Manaktola K. ve Jauhari V.(2007), ‘*Exploring Consumer Attitude and Behaviour Towards Green Practices in the Lodging Industry in India*’, International Journal of Contemporary Hospitality Management, Vol.19, No.5, s. 364-377
13. Polonsky J.M. An Introduction To Green Marketing (1994) <http://escholarship.org/uc/item/49n325b7> (25/04/2010)
14. Sagevik M. (2009) Symposium on Tourism and Travel in the Green Economy, Sept 14-15 Gothenburg, Sweden. (Presentation)
15. http://www.etc-corporate.org/resources/uploads/MargretheSagevik_TraintoCopenhagen.pdf (22/04/2010)
16. http://www.paradoks.org/makale/yil3_say1/gerbaslar31.pdf
17. http://ec.europa.eu/environment/gpp/gpp_and_eco_labels_en.htm
18. <http://ec.europa.eu/environment/emas/pdf/eversummary.pdf>
19. <http://www.kultur.gov.tr/TR/Genel/BelgeGoster.aspx>
20. <http://www.ibisenvironment.com/gb/index.html>
21. http://www.ibishotel.com/pdf/press-public-relations/green_press_kit_gb.pdf
22. http://www.ibishotel.com/gb/press-public-relations/dossier_presse.shtml
23. <http://www.thepresidenthotel.com/content.asp?pid=&cid=131>

Contacts

S. Emre Dilek
MBA Student,
Canakkale Onsekiz Mart University, School of Tourism and Hotel Management,
Tourism Management Department, Terzioğlu Campus, Canakkale
TURKEY 17100,
E-mail: s.emre.d@hotmail.com
Tel: 0090 537 686 28 65.

Ekrem Tufan
Assoc. Prof. Dr.
Canakkale Onsekiz Mart University, School of Tourism and Hotel Management,
Accommodation Management Department, Terzioğlu Campus, Canakkale,
TURKEY 17100,
E-mail: etufan@yahoo.com
Tel: 0090 535 889 94 25.

Model of Marketing Quadrangle Urban Marketing as a Tool for Evaluation of the Success of the Implementation of City Marketing

Jaroslav Dodecký

University of Prešov in Prešov, Faculty of Management

Abstract

Implementation of city marketing is difficult and complex marketing process, which is necessary to align human, financial and non-material resources for its successful and effective implementation. This process consists of analysis, planning, implementation and monitoring phase. The article deals with the last phase of the control and evaluation of marketing activities in connection with the key success factors of city marketing and the possibility of marketing capacity utilization index as a tool for assessing the success of the implementation of city marketing and proposal of new model of marketing quadrangle urban marketing.

Key words

Evaluation of the implementation, city marketing, marketing capacity index.

City marketing has to ensure the efficient satisfaction of needs of the territory of recovery and optimal use of potential of the area (city), asserting the territory of the market area (between the cities themselves) with emphasis on public interest. The role of city marketing is to know everything that territory may offer as its sub-products as well as the overall product, analysis of opportunities and barriers to the development area, its strengths and weaknesses, analysis of competition and global trends, to define target segments and needs. Consequently, it is match of supply with demand areas or match offers areas of market needs, creating an optimal strategy for developing the territory, its successful implementation and continuous monitoring.

It is the last phase of the implementation of city marketing which is often neglected or underestimated because there is the absence of clear accurate tools for measuring the success of the implementation of city marketing.

Evaluation of marketing activities and its problems

The whole process of city marketing is a dynamic process, where the subjects change due dynamics in a microenvironment and macroenvironment. „Continued

monitoring of these changes meet the feedback system - a permanent control of the functionality of individual elements and tools of marketing process. It is possible to identify in the time wrong and inefficient action and capture changes in the market.“ (Bernátová, Vaňová, 2000, p.38)

One of the major weaknesses of the marketing process is the lack of evaluation. The most common reason for failure of evaluation mechanisms are responsible persons from the congestion of the municipality, unclear division of responsibilities, the lack of sanctions and lack of criteria to check the results, but also vaguely defined objectives.

According Ježek and Ježková (2007, p.26) the lack of involvement of different actors in the marketing process (in particular it relates to business and civil sector) undermines the sense of the need for regular evaluation of the adopted strategies and projects. Evaluation as a strategic management tool and also as a tool for learning, in terms of both countries (the Czech Republic in Slovak Republic) almost does not apply. Often in this context refers to the undeveloped evaluation culture.

For this reason, it can be concluded that this must be evaluated culture has been developing since the beginning of the implementation of marketing (development) activities of the city, to continue monitoring project to record the partial change, evaluate and compare the results obtained with the planned outputs, take action and implement modifications as the needs and expectations the main actors of city marketing.

Monitoring of the implementation of individual projects are often part of the implementation phase. From the perspective of the whole process is considered important for the evaluation process of city marketing for a certain period of time. Participating actors from the private sector, putting pressure on the efficient spending of funds. Creating control bodies, mechanisms, methods and criteria must be undertaken before the commencement of the implementation phase of projects.

„City marketing can be measured only some quantitative changes, eg. increase in investment in the region or the number of nights. However, city marketing is often seeks to improve the leisure offer in the city or region, the situation in education, cleanliness of the city, improve the contact behavior of officials of government as service providers 'customers' etc. In these so-called soft factors is the most subjective evaluation method analyzes the image of the city and region.“ (Ježek, Rumpel, Slach, 2007, p.24-25)

The control of city marketing can help create a file of questions within the chosen range of urban problems and their answers on the questions. (Paulíčková, 2005, p.74-75) Table 1 is prepared such an example of possible lines of questions:

Table 1: Circuit of the problems and questions to facilitate the control of urban marketing.

Circuit of the problems	Questions
Target groups	Are there some dominant groups in the city? Have ever been observed only their interests and goals? What is the balance of movement: how many and who (age, occupation, etc.), people coming / going? Is it possible to achieve success in the location (businesses, organizations, doctors, physicians - specialists, schools, pharmacy, etc.)? Increase / decrease the number of associations and their members?
The objectives of city marketing	Increase / decrease the number of road accidents? Is it a clear reduction in traffic accidents?
Players of city marketing	Is the organization of urban workers primarily marketing executives, urban managers adequately qualified? How does the work assess in the organization? How does the quality and number of respondents interested in administrative and economic sphere develop? How politicians perceive marketing efforts?
Product of the city	How to develop a current purchasing power? Did the structure of retailing change? How to develop a number of nights in accommodation establishments in the city? Did the labor utilization in municipal services (libraries, baths, etc.) change?
Image and identity of the city	Rising level of awareness among target groups of the city? Are there clear changes and the city's image and identity? Are there some slogan and logo? Is it outside the city administration?
Media and publicity	What does the project of city marketing present in local and regional media? How well are people informed about current projects under the city marketing?
City marketing events	Increase / decrease the number of events held in the city?

Source: Pauličková, 2005, p.74-75

Key success factors of city marketing

The formed framework consists of various success which were preselected based on the findings of the pilot studies and in the place marketing literature.

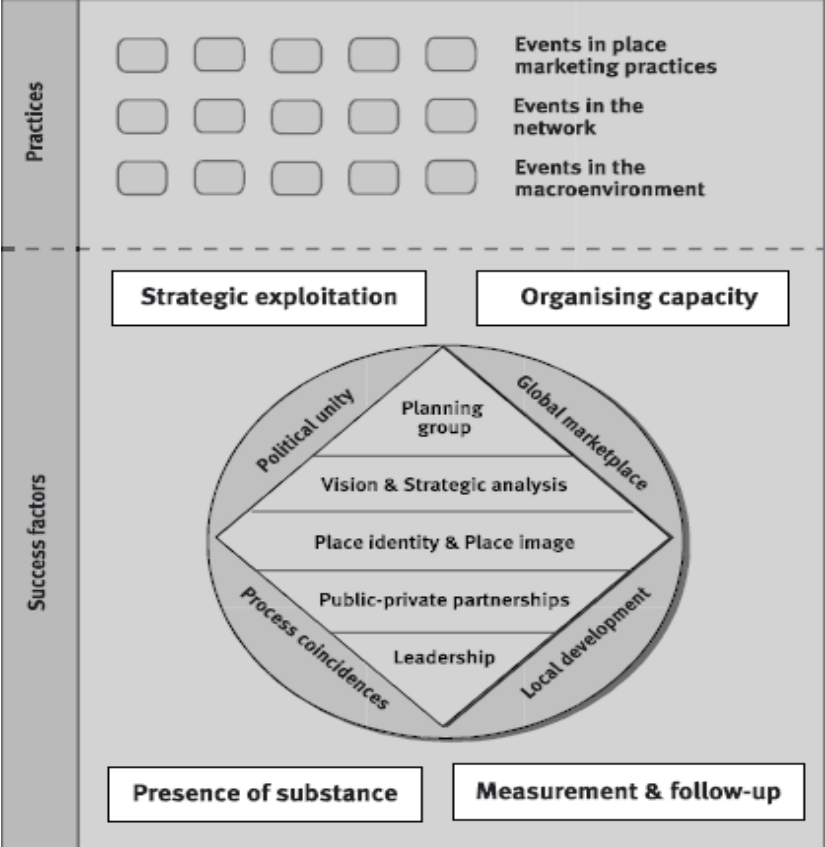
The revised framework has three dimension of success factors. The elements in the inner part (*planning group, vision and strategic analysis, place identity and place image, public-private partnerships and leadership*) represent the core building stones in place marketing practices. The elements on the others side (*political unitym global marketplace, local development and process coincidences*), meet the challenges in the network and in the macroenvironment where the place marketing practices are performed. The “how and ability” factors – strategic exploitation, organising capacity, presence of substance, measurement and follow up – bring additional strain to the challenges of place marketing. All these “how and ability” factors need to be present when practicing place marketing. All the success factors of the framework are connected and interacting with each other supporting the process of successful practices.

There must be present enough *organising capacity* for the management of the strategic part of the process, as well as for the operational implementation of the programmes. Organising capacity comprises the capabilities of the management and the resources of the place suggesting that also political unity is needed to achieve the necessary organising capacity for the place.

Presence of substance is the “state of affairs” that has been reached by means of, for instance, organising capacity and the process of the systematic strategic analysis.

Strategic exploitation of individual core issues in place marketing is essential. Without strategic thinking, the operative actions bring success only by accident – or good luck. Also, both the strategy work and the implementation on the operative levels are needed for success. The strategic work is only the most demanding part of the place marketing challenge. Without *measurement and follow-up*, no place marketing programme is executed in an ideal way. “You get what you measure” is also true in place marketing.

Fig. 1: Success Factors of Place Marketing.



Source: Rainisto, 2003, p.66

Place marketing capacity index

As an attempt to quantify the above explained qualitative model, a specific “Place Marketing Capacity Index” was planned, and formed in a simple computer Excel execution. Ten success factors of place marketing, and four capacity factors give altogether 40 perspective combinations. The capacity factors are: presence of substance, strategic deployment, organising capacity and measurement. Each success factor gets a grade valued from the perspectives of the capacity factors, in place relevance. Maximum score is 1,000, when every success factor gets the grade 10, and additionally gets the grade 10 in all four valuation perspectives.

Table 2: Place Marketing Capacity Index.

PLACE MARKETING CAPACITY INDEX												
PLACE RELEVANCE												Max
Presence of Substai Strategic Deploymen Organising Capaolt Measurement												Score
SUCCESS FACTOR			Grade	Score	Grade	Score	Grade	Score	Grade	Score		
Weight-factors			1,0-10,0	0	1,0-10,0	0	1,0-10,0	0	1,0-10,0	0		
1. Planning Group		10/0.25										100
2. Vision & Strategic Analysis		10/0.25										100
3. Activity Programs		10/0.25										100
4. Identity & Image		10/0.25										100
5. Public-Private Partnerships		10/0.25										100
6. Leadership		10/0.25										100
7. Local Development		10/0.25										100
8. Global Marketplace		10/0.25										100
9. Political Unity		10/0.25										100
10.Process Coincidences		10/0.25										100
												100
Max. Score		100/2,5	100	250	100	250	100	250	100	250	1000	

Source: Rainisto, 2003

This capacity index model has been used in place marketing studies in Finland to get rank comparisons between various locations concerning their ability and capacity to use professional place marketing and branding. Although the evaluation has also subjective elements, the results can indicate differences in the total picture. E.g. if the locations get total scores like 830, 770, 670, 500, 380 points, the results can contribute with other study findings to improve marketing systems and programs.

Model of marketing quadrangle urban marketing

As you can see two approaches to assessing the success of urban marketing are unique and specific, the first model represents a system of control issues and the second model is based on selected factors of success and their contribution to the capacity factors. Both models have a weakness in the objectivity of the assessment, if carried out internally and, moreover, lack of comparison with other cities, in order to create complex than the marketing potential of cities and the order of ranking points.

It is therefore necessary to create a new index model for marketing capacity, which should defined key areas of success with different scales and scoring process execution and marketing aktivít mestského objectively assessed through the creation of the Commission or the Association of urban Mmrketing for the chosen location or country.

For this purpose, could provide a Model of marketing quadrangle urban marketing, which is made up of theoretical models analyzed above authors (Pauličková Rainisto a) by application of the determinants of urban marketing (Rumpel, tendons, Boruta, 2007, 12). The proposed model consists of 4 key attributes (fields): the interests of actors and institutions of the city, the level of urban marketing applications, image and identity of the city, the structural characteristics of the city.

The first key area for assessment in the model are the interests of actors with the purpose of reviewing the management of interest cities on urban marketing, quantity and quality of activities by employees of the city office, participation rates both urban poslancov verejných ale and other institutions or private entity (natural or legal persons, foundations, NGOs, ...) involved in city marketing.

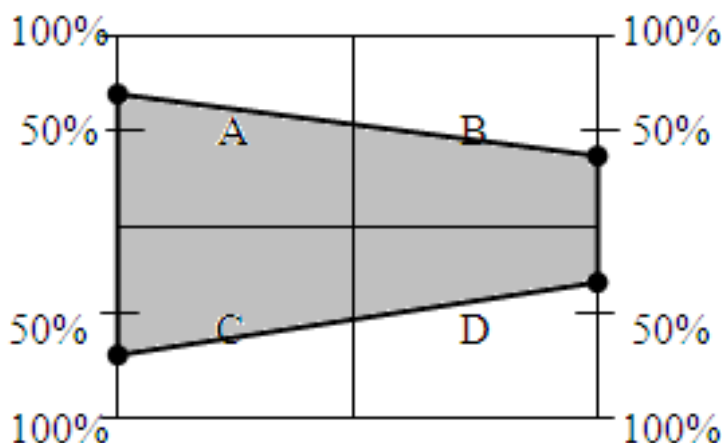
The second area of evaluation is the level of urban marketing applications, and assesses the existence of marketing concepts, development documents, planning, implementing and adopted the marketing activities and projects, the degree of their implementation, monitoring and evaluation of their contribution.

The third area is the city's image and identity (logo, slogan of the city, the dominant symbol of the city, communication strategies, ...), media publicity (newspapers, television, radio, ...) and especially the quantity and quality of the products of the city, which include investment potential - industrial parks , commercial, residential and recreational facilities, accommodation, educational, recreational and cultural institutions, events and marketing activities to promote the development of urban marketing. The evaluation is a set of marketing mix instruments, leading to a functional implementation of the urban marketing.

The last area for the fourth assessment of the structural characteristics of the city, namely the structure of the population, urban planning and architectural structure, the transport system, the target groups (citizens, retailers, business people, tourists) to the selected width and depth of marketing activities.

The proposed model should be more accurate to define the main attributes of the selected items and weights set according to their relevance, thus resulting complexity of this indicator and would take into account the individuality of (economic and social level) the selected country.

Fig. 2: Model of marketing quadrangle urban marketing



- A - the interests of actors and institutions of the city,
- B - application level of urban marketing.
- C - image and identity of the city,
- D - structural characteristics of the city.

Peaks of quadrangle reached a percentage of the computation of the maximum value with pre-defined weights for selected items for the various attributes of urban marketing. The calculated values allow the results to plot a graph, allowing to assess the degree of success of the implementation of urban marketing content size quadrangle. The content of the quadrangle, the more is the realization of a successful urban marketing more effective.

Summary

The article was to highlight the importance and uncertainty assessment of success of the implementation of city marketing and also outline the possibility of checking whether a set of control issues in a range of selected urban marketing or by using the exact method marketing capacity index, which may help to identify weaknesses to improve future marketing strategy and execution of its other activities. We should not forget that the process control and evaluation of the utmost importance in the implementation of the urban marketing, as it helps its continuous improvement for the purpose of which was launched just introduced.

In practice, there would need to look at this issue comprehensively and to identify appropriate elements (factors) to objectively assess the success of the

implementation of urban marketing, if it can help the proposed model of marketing quadrangle urban marketing.

Bibliography

1. BERNÁTOVÁ, M., VAŇOVÁ, A.: *Marketing pre samosprávy I. Marketing území*. Banská Bystrica: Ekonomická fakulta UMB v Banskej Bystrici, 2000. s.17, ISBN 80-8055-337-8
2. JEŽEK, J. – JEŽKOVÁ, R.: *Mestský marketing v Českej a Slovenskej republike a problémy jeho implementácie*. In: Regionální studia. 1/2007. Praha: Vysoká škola ekonomická v Praze. ISSN 1803-1471, s.23-27
3. JEŽEK, J., RUMPEL, P., SLACH, O.: *Manuál pro potřeby praxe: Marketingový management obcí, měst a regionů*. Ostrava, 2007. 136 s. ISBN 978-80-7368-294-1, s.18-20
4. PAULIČKOVÁ, R.: *Regionálny a mestský marketing*. Bratislava: EUROUNION, 2005. s.13, ISBN 80-88984-72-6
5. RAINISTO, S.: *Success Factors of Place Marketing. A Study of Place Marketing Practices in Northern Europe and the United States*. Helsinki University of Technology, Espoo. 2003. ISBN 951-22-6684 9 Available at: <http://lib.hut.fi/Diss/2003/isbn9512266849/>
6. RUMPEL, P., SLACH, O., BORUTA, T.: *Inovace v rozvoji obcí, měst a regionů s důrazem na marketingové řízení*. In: Sborník příspěvků z mezinárodní konference: „Inovace v rozvoji obcí, měst a regionů s důrazem na marketingové řízení.“ Ostrava: Ostravská univerzita v Ostravě, 2007. ISBN 80-7368-262-1

Contact

Ing. Jaroslav Dodecký
University of Prešov in Prešov
Faculty of Management
Street: Konštantínova 16
08068 Presov, Slovakia
E-mail: dodecky@unipo.sk

Spa Management in Time of Crisis

Eva Drotárová

University of Prešov in Prešov, Faculty of Management

Abstract

Slovakia has an extraordinary number of curative springs, as well as, it also has an extensive deposit of a high-quality healing peat and mud. This country is undeniably reservoir climate conductive environment for the treatment of respiratory disease. People have been taking an advantage of these resources for a long time.

This article presents Slovak Spa and their basic segmentation, and it provides information about indicators of diseases and locations of spas where the diseases are treated. The study provides information how to behave in times of crisis, as well as, what strategy applied in the management of spa facilities.

Key words

Slovak spa, spa management, managing in a crisis

Introduction

Slovak Republic has the fortune to be amongst the few European countries that have an abundant source of natural healing resources. As a result, the health resort sector has a determining role in the development of the country's economy. Spa management in time of crisis is a very complex process. Despite adverse conditions in this sector wants to attract new customers and keep their existing customers. Along this, an important role of management in time of crisis is to determine the correct price for products, respectively services.

Slovak Spa

The term spa refers to a place which people visit in order to improve their health and beauty through a various treatments and procedures. Within this context, spa is related to relaxation, social interaction, entertainments and includes preventives and sanitary activities.

At present, there are 24 spa resorts in the country, which provide spa services based on the use of local natural healing sources. Such medical

resources include natural healing water, thermal gasses, emanations, peloids, and the prevailing climatic conditions.

Spa tourism is a health-preventive and therapeutic activity under a professional supervision. Condition for the development of spa tourism is the existence of natural curative sources, such as natural healing waters, emanations, peloid and climate, that affects the focus of a spa treatment. [1]

The development of spas in Europe and Slovakia was based on interest of people in natural mineral springs, which differed from the usual sources mainly its appearance, taste and temperature. [2]

Slovak documentary evidence of the therapeutic use of medical waters goes back to the 12th century. In contrast, archaeological excavations have foreseen the use of medicinal waters in a much earlier period. [3]

The role of traditional spas is hardly changeable in treatment of chronic diseases, prevention and rehabilitation. Our spa facilities have a rich history and tradition.

A table below illustrates several of disease and a different spa places where disease are treated within Slovakia.

Table 1: Indications of disease and spa location where the diseases are treated

Indications of disease	Spa location
Cancer disease within 24 months of the completion of a comprehensive cancer treatment (including chemotherapy, radiotherapy) without any signs of disease recurrence.	Bardejov Spa, Kováčova Spa, Nimnica Spa, Sliač Spa, Turčianské Teplice Spa, Vyšné Ružbachy Spa, Štós Spa, Tatranské Matliare Spa, Liptovské Spa, Lúčky Spa
Circulatory system diseases	Bardejov Spa, Dudince Spa, Nimnica Spa, Sliač Spa, Vyšné Ružbachy Spa, Číž Spa
Digestive system diseases	Bardejov Spa, Brusno Spa, Kováčová Spa, Nimnica Spa, Turčianské Teplice Spa, Vyšné Ružbachy Spa
Disease of metabolic and endocrine	Bardejov Spa, Brusno Spa, Číž Spa, Kováčová Spa, Nimnica Spa, Vyšné Ružbachy Spa, Liptovský Ján Spa, Štós Spa, Nový Smovec Spa, Tatranské Matliare Spa
Nontuberculosis respiratory diseases	Bardejov Spa, Nimnica Spa, Liptovský Ján Spa, Štós Spa, Štrbské Pleso Spa, Nový Smokovec Spa, Horný Smokovec Spa, Tatranské Matliare Spa, Lučivná Spa

Nerve diseases	Bojnice Spa, Číž Spa, Dudince Spa, Kováčová Spa, Piešťany Spa, Rajecké Teplice Spa, Sklenné Teplice Spa, Trenčianské Teplice Spa, Turčianské Teplice Spa, Nimnica Spa
Diseases of the musculoskeletal	Bojnice Spa, Číž Spa, Dudince Spa, Kováčová Spa, Lúčky Spa, Piešťany Spa, Rajecké Teplice Spa, Sklene Teplice Spa, Smrdáky Spa, Trenčianské Teplice Spa, Turčianske Teplice Spa, Nimnica Spa
Diseases of kidney and urinary tract	Bardejov Spa, Kováčová Spa, Turčianske Teplice Spa, Vyšné Ružbachy Spa
Mental illness	Vyšné Ružbachy Spa, Štós Spa, Nový Smokovec Spa
Skin diseases	Piešťany Spa, Smrdáky Spa, Trenčianske Teplice Spa
Women's diseases	Kováčová Spa, Lúčky Spa, Nimnica Spa, Sliač Spa, Turčianske Teplice Spa, Vyšné Ružbachy Spa, Liptovský Ján Spa, Štós Spa, Tatranské Matliare Spa
Occupational diseases	Bardejov Spa, Brusno Spa, Dudince Spa, Piešťany Spa, Rajecké Teplice Spa, Turčianske Teplice Spa, Vyšné Ružbachy Spa, Liptovský Ján Spa, Štós Spa, Nový Smokovec Spa, Tatranské Matliare Spa, Nimnica Spa, Lúčky Spa, Číž Spa

Sources: own processing from www.ask.sk [3]

We have climatic spa and balneology spa, for example, balneology spa focus on diseases of the musculoskeletal and circulatory diseases, dermatological, respiratory, neurological and other diseases. Very good results are achieved in the treatment of post-traumatic states, mainly due car accident. This kind of spas is using mineral, thermal water, mud, peat. For instance, climatic spa is used to treat respiratory diseases and allergies in children and adults thanks to the beneficial effects of mountain environments. This kind of spas are using fresh non pollution air, spelotherapy etc.

A table introduced below shows an example of different balneology and climatic spa locations in Slovakia.

Table 2: Example of balneology spa and climatic spa in Slovakia

Balneology spa in Slovakia	Climatic spa in Slovakia
Bardejov Spa	Spa Ľubochňa
Bojnice Spa	Spa Lučivná
Dudince Spa	Spa in Vyšné Ružbachy
Korytnica Spa	Spa Vyšné Hágy
Lúčky Spa	Spa Nový Smokovec
Spa Piešťany	Spa Horný Smokovec
Spa Rajecké Teplice	Spa Štrbské Pleso

Sources: own processing from www.slovakiatravels.com [4]

Management in time of crisis

The crisis has major impact on the enterprise; it is unpredictable and needs an urgent attention. Managing in a crisis requires great patience and attention. We have to learn how to be independent from others, delegate authority and build teams, as well as, we have to think about strategy and adapt to. We do not need unnecessarily make organizational changes, but we should rely on their employees. In any case we should not compromise the quality of its production.

In time of crisis, we have to be able to answer questions, such as, where we are and where is our business.

The answers to these questions, remind us the current status of our society, process, performance etc., as well as, deviations from the plan. It is necessary that this information lead no only to a global society level, however, in order to objectives and monitor their performance on the lowest meaningful level. [5]

For this purpose we should use one of a method through which we determine where we are. We can use following methods:

- SWOT analysis,
- Boston BCG matrix,
- 7S and other.

Our further investigation focuses on why we are there.

Here comes a series of data analysis, it is search for causes. First we know the reasons why we are where we are up to the understanding of the causes we can evaluate and then implement corrective measures. [5]

Then ask ourselves where we want to get and what it takes to do it. This means that we need to determine the route for which we will lead the company.

Advance analysis can generate alternative scenarios, or to follow trends through statistical methods. Tracking trends in our sample data helps predict

behaviour of our existing or potential customers. The result is a focus marketing efforts to target group most likely to purchase our product, departure prevention customers and so on. [5]

Spa management in time of crisis

Spa management has its own specifics. They are characterized by certain elements:

- high capital intensity to the spa,
- seasonality of spa (full season and low season),
- big size of spa resorts (accommodation zones, food sections, place of procedures, colonnades, parks etc.) ,
- high share of labor intensity, the competence and specialization of staff (management of spa, health personnel, technical personnel, accommodation and catering section),
- high direct and indirect cost,
- cooperation with organizations at their location,
- cooperation with insurances,
- specialist services.

These factors are further contributed to the various crises in the spas. At the time of global economic crisis, we can not apply strategy for the elimination of pathogens crisis or strategy to avert the crisis, but we should choose the way of coping with the crisis and the way how to use crisis in our benefit).

The strategy to cope with the crisis is based on immediate response to the spa management of crisis. Management of spa determines the crisis manager, who creates crisis plans, implement the measure requested, and media suppress negative information about the spa resort. [6]

The strategy uses the crisis is base on a rigorous examination of the causes, course and impact of economic crisis in order to improve the starting position to address future challenges in the spa. This is a list of good and negative experiences in the future prevent a new crisis in spa resort, or how to behave in it. [6]

To overcome the crisis it is appropriate to separate from the owner's direct control. If the owners continue to participate in the management of the business activities of the spa, they should do so only in matters of strategic decision making. Unbundling of direct control is implemented by engagement of professional management. The performance of all business activities of company's new system of governance established at this stage, centralization of decision-making powers. The organization is a management company represented one of the centralist types of organizational structures. [7]

Summary

Slovakia has a great chance for the further development of spa tourism. It is necessary to maintain the quality of spa treatments, but on the other hand, we should constantly improve the quality of other services, such as, accommodation, catering and ancillary services. Wealth of Slovakia is in the natural healing resources which is a major prerequisite for development of spa. Along these lines, spa should maintain its traditional form and meet specific customer needs.

Bibliography

1. GUČÍK, M. *Základy cestovného ruchu*. 1st ed. Banská Bystrica: Trian, 2000. 152 p. ISBN 80-8055-355-6
2. KNOP, K. *Láteňství, Ekonomika a management*. 1st ed. Praha: Grada Publishing, 1999. 231 p. ISBN 80-7169-717-6
3. <http://www.ask.sk/sk/indikacie.php> Accessed on 24.06.2010
4. <http://www.slovakiatravels.com/sections/Routes/therme-sk.php> Accessed on 25.06.2010
5. http://www.posam.sk/assets/files/clanky/MASM_04-2009_business-intelligence.pdf Accessed on 24.06.2010
6. <http://www.zones.sk/studentske-prace/manazment/4188-podnikove-krizy-a-krizove-strategie/> Accessed on 25.06.2010
7. <http://www.eprogress.sk/post/vnutorny-vyvoj-firmy-potencialne-krizy-195/> Accessed on 25.06.2010

This article is published as one of the outputs by the research grant VEGA project No. 1/0876/10.

Contact

Mgr. Eva Drotárová
Faculty of management
Konštantínova 16
080 01 Prešov
E-mail: drotarova@unipo.sk

Cooperation and Competitiveness of a Tourism Area

Piotr Gryszel

College of Economy, Tourism and Social Sciences in Kielce, Poland

Abstract

The current tourism market is a highly competitive market. To effectively compete in this market with other tourist areas it is necessary to focus on developing appropriate methods for efficient management of tourist reception areas. It appears that the management in tourism destinations and tourist regions should be based on the public - private partnership model and on cooperation of businessmen in creating a regional tourism product. Only such cooperation can lead to gaining the effect of synergy in the tourist market. The synergy effect, however, will increase the competitiveness of destinations on the tourist market.

The aim of this paper is an indication of the benefits of tourism subjects cooperation as an act contributing to the improvement of the competitiveness of the tourist reception area.

Key words

cooperation, competitiveness of tourism regions.

1. Competitiveness of tourism destinations

The problem of competitiveness in relation to enterprises has been a point of interest to economists for many years. The theory in this area is rich and well developed. In its general sense, the company's competitiveness is similar to the concepts of economic efficiency and the effectiveness and skills used in economic sciences and management (Pierścionek 2003). It can be assumed that the competitive will be the entity which is, thanks to the effective management operating, capable of obtaining such a cost reduction, and thanks to strategic management increase the value of the company, which will also enable it to strengthen the market and competitive position, and secondly, will provide high investment attractiveness (Nawrot 2009). In other words, the competitiveness of an enterprise is expressed in gaining advantage over market competitors through meeting the needs of consumers with products of proper quality, delivered in the right place and time, at a price which they are able to accept.

In the case of tourist regions (destinations) competitiveness is a problem more complex because it depends not only on the enterprise and ability of the company owner, but also on the efficiency of the territorial socio - economic systems and their ability to the expanded reproduction of regional and national resources. The specificity of regional competitiveness is the simultaneous competing of manufacturers with competing of the environment in which they operate (Markowski 1999).

According to T. Markowski, regions may compete in a direct or indirect way. The indirect competing should be understood as the existence or creation of regional environmental conditions for companies operating in them, allowing them to obtain a competitive advantage in the elements being out of control of their actions. It can be expressed and measured with the competitive abilities of companies located therein. However, the direct competing means competing of entity territorial units, which compete for different types of benefits, access to financial resources, attracting outside investors, maintenance of capital in the region, location of agencies and government institutions, and the broadest speaking - for the social and economic development ensuring the high quality of life (Gorynia, Łażniewska, 2009).

From the point of view of the direct competition, tourist destinations (regions) are capable of competing in the area of:

- gaining access to national and international markets,
- attracting domestic and foreign investors and tourists,
- getting the location of important institutions' headquarters and their agencies,
- obtaining the right to organize events of high importance and national and international meetings,
- implementation of large infrastructural, ecological, social projects,
- gaining financial help from the European Union and other international financial institutions (Nawrot 2009).

All these actions are to contribute to the creation of a regional tourism product and its effective sale on the tourist market. It should also be noted that a very important element of the destination competitiveness are its tourist attractions. They are inextricably linked with the space in which they are located, they cannot be moved, and they very often have a unique character. They are a core part of the regional tourism product. All this means that, both from the point of view of an investor as well as a tourist, it is possible to achieve a tourist pension. Investors achieve additional benefits resulting from the investment location in a given region (destination), for example, fashion

for leisure in the resort, its popularity with tourists, and its reputation cause that the same accommodation can be sold at higher prices than in the neighbouring locality.

On this basis we can assume that the competitive tourist destination is such an area which can win the competition with other regions or destinations, and from the point of view of tourism, destination competitiveness means the ability to create such a tourist offer (tourist product) which would differentiate a given destination from others, and as a result, would attract tourists and increase the socio-economic benefits resulting from the tourism development in the area.

Competitiveness of tourism destinations depends on many factors. They are often factors independent on the region (destination), like fashion for practicing certain forms of tourism, economic policies of the government, tourist attractions making its potential. However, many of these factors can be created through actions within the region, for example through promotion, policies of the region authorities, an adequate system of tourist products distribution, hospitality, management of visitors, tourist management and cooperation of various actors in creating a regional tourism product.

The measure of the competitiveness of tourist destinations (regions) is the ability to make effective use of tourist resources and adaptation to changing conditions. This is consistent with such a notion of competitiveness, which defines it as the ability to achieve the objectives smoothly. In the case of the tourism reception areas (destinations), the most important goal is to derive the permanent benefits from tourism development by all economic subjects in the area (Alejziak, 2008).

2. The influence of cooperation on competitiveness and development of tourist destinations product

A tourist product of the tourist reception area has a very complex character. It comprises the following components:

- the original (primary) destination offer, which has an impact on motivation and determines the choice of visits (travelling) location - they are usually natural and anthropological attractions,
- supplement (additional) destination offer, which creates conditions of stay and enables to use the original offer of the region - it is often described as the tourist and para-tourist infrastructure,
- the availability of destinations, which should be understood as investment, speed and comfort for the visitor to reach the destination,

- the destination image, having a strong influence on the choice of the tourist region by the visitor, as well as the image of the services organization within the region,
- an appropriate price, which is for the visitor the sum of expenditures for transport, accommodation, meals and other services, and which is dependent on the season, a type of purchased services, the exchange rate, distance to the destination, the means of transport, the region.

Many factors and institutions have an influence on the creation, promotion and marketing of the regional tourism product. Therefore, cooperation of many actors and institutions is required in order to prepare a professional regional offer, which will meet consumers' expectations and will enable to achieve a competitive advantage on the market. It can have a character of:

- a) *vertical cooperation*, i.e. cooperation of entities from various sectors in order to create a chain of services, for example, a common creation of tourist packages;
- b) *horizontal cooperation*, i.e. using the economy of scale - cooperation of the economic subjects of the same type, for example, a shared kitchen or laundry for a few hotels;
- c) *lateral (side) cooperation*, i.e. exchange of experiences with other sectors, such as partnership in the sphere of technology - the company Quelle cooperated with Neckermann in the area of mail-order sales of tourist offers,
- d) *spatial concentration* (agglomeration effect), i.e. the use of heterogeneous agglomeration effect - concentration of various attractions and services in the destination.

This cooperation, however, faces many obstacles of formal and mental nature. It may be noticed that Polish entrepreneurs forced between the years 1945 -1989 to the mandatory cooperation in the form of e.g. cooperatives, are very reluctant to take action to prepare a tourist offer together.

Three basic stages of achieving the tourist destination management can be seen in the tourist reception areas (Fig. 3). In the first stage, which can be called a phase of coexistence, the economic subjects operating in the tourist resort, or in a given region do not notice the need to cooperate with each other. Each subject works independently to achieve its own goals. Other subjects are treated as competitive, or if they offer a different category of product, they are considered to be neutral.

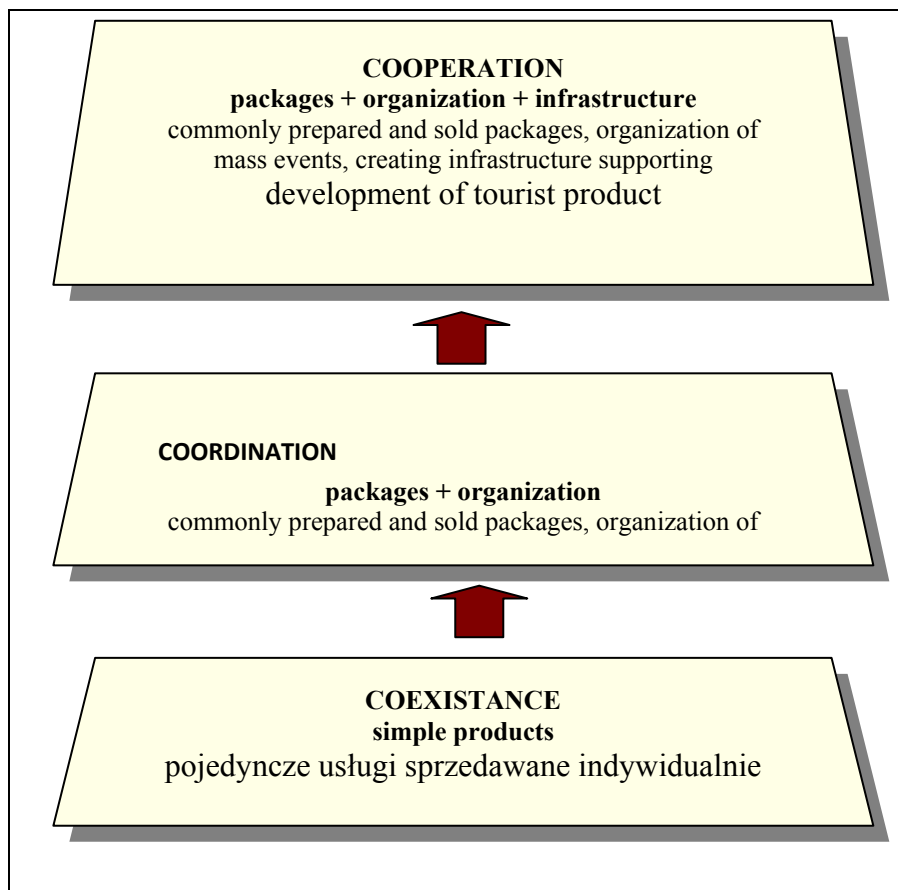


Fig. 1. Stages of achieving the tourist destination management

Source: own studies.

This state does not last long. When one of the subjects wants to expand its activity, or if there is an arrangement between several actors, then competition appears, or there are first signs of cooperation. In the second stage, called the stage of coordination, entrepreneurs begin to see the need for cooperation. The first products are prepared in the form of packages by entrepreneurs, whose offer complements, e.g. the owner of a stud farm organizes holidays 'in the saddle' together with a neighbouring guest house. In this phase of cooperation entrepreneurs often decide to join an already functioning outside marketing group, whose aim is to help them to find customers, and through

joint orders, reduce transaction costs. They sometimes also decide to start their own group. Networking products are also created. Organization of large mass events designed to attract more tourists to the destination or the region can be a sign of cooperation. In the third stage, called the phase of cooperation, Local Tourist Organization is created most often. Entrepreneurs create a joint tourist offer tailored to the requirements of specific market segments. A suitable tourism infrastructure is created in order to adapt better the tourism product to the tourists' requirements. The area begins to be perceived as a destination, and in order to sell the tourist product more effectively, a local reservation system is created, which significantly reduces transaction costs and helps to attract customers. To commercialize the tourist product, as the next phase of cooperation, Organization (Institution) of Destinations Management, being the local tour-operator is created - an establishment organizing the reception (Destination Management Company - DMC)

3. Summary

The contemporary situation on the international tourism market is characterized by a sharp competitive struggle between particular destinations. Cooperation between the tourist operators in order to achieve the synergy effect is necessary to enable the earning a satisfactory income from tourism business. In addition, the area of tourist reception should be treated as one big enterprise in which particular 'components' and 'parts' of the final tourism product are manufactured in the respective 'departments' and on appropriate 'work places' (in hotels, restaurants, tourist attractions, souvenir shops, transport enterprises, etc.) This 'enterprise' should be efficiently managed, so that a profit could be shown at the end of the accounting period. A region - a tourist destination can be seen in such a way at the beginning of the 21st century.

Bibliography

1. Alejsiak W., *Wielkie wydarzenia sportowe jako czynnik walki konkurencyjnej na globalnym rynku turystycznym*, in: *Turystyka jako czynnik wzrostu konkurencyjności regionów w dobie globalizacji*, ed. G. Gołębski, Wydawnictwo Akademii Ekonomicznej w Poznań, Poznań 2008, p. 52-66.
2. *Kompedium wiedzy o konkurencyjności*, ed. M. Gorynia, E. Łażniewska, Wydawnictwo Naukowe PWN, Warsaw 2009.
3. Markowski T., *Zarządzanie rozwojem miast*, Wydawnictwo Naukowe PWN, Warsaw 1999.

4. Nawrot Ł., Zmyślony P., *Międzynarodowa konkurencyjność regionu turystycznego. Od programowania rozwoju do zarządzania strategicznego*. Wydawnictwo Proksenia, Cracow 2009.
5. Pierścionek Z., *Strategie konkurencji i rozwoju przedsiębiorstwa*, Wydawnictwo Naukowe PWN, Warsaw 2003.

Contact

PhD Piotr Gryszel
College of Economy
Tourism and Social Sciences in Kielce
Poland
E-mail: piotr.gryszel@ue.wroc.pl

Tourism Clusters as the New Form of Tourism Destination Cooperation

Piotr Gryszel – Daria E. Jaremen – Andrzej Rapacz
Wrocław University of Economics

Abstract

In the process of identifying tourism destination success factors special attention should be paid to specific social and economic structures called clusters or bunches. The functioning of entrepreneurs and different entities responsible for tourism traffic functioning, within the framework of such network structures, brings about numerous advantages not only for these structures, but also for regions in which they function. The phenomenon of coopetition, i.e. simultaneous cooperation and competition with each other is more and more frequently experienced in tourism sector. Therefore, tourism cluster may become an effective tool for winning competitive advantage at tourism market.

Key words

cooperation, tourism cluster

1. Introduction

Contemporary tourism market undergoes an ongoing improvement by assimilating new and interesting tourism products. In order to create them, however, it is necessary for many entities, organizations and institutions to cooperate with each other. Among these units there are not only entrepreneurs, but also local territorial self-government units, social organizations as well as research and development institutions. Their cooperation may result in finding a customer for the tourism offer they have prepared. Having also considered significant competition in the region, as well as competition between regions, it should be stated that the most desirable coopetition form in tourism is the cooperation taking the form of a tourism cluster. Increased interest in the problems of regional innovation systems and the concept of a cluster justifies the question about the usefulness of the latter also in tourism.

The objective of the hereby study is to illustrate advantages and disadvantages of coopetition, or rather coopetition in the form of a cluster at tourism market.

2. Cluster as the form of coopetition and the tool for constructing regional competitiveness

In professional literature discussing problems of upgrading competitiveness and the construction of innovation and knowledge based economy attention is paid to the significance of cooperation at regional and local level of private and public sector institutions, which results in creating, diffusion and implementation of knowledge both new and useful at the market¹. So far one of the most frequently applied cooperation forms at Polish tourism market and used in tourism destinations was the establishment of Regional and Local Tourism Organizations. Less frequently encountered form of regional cooperation took the form of network cooperation. In professional literature network is defined as cooperation in the form of co-operational relations between entities in order to obtain certain benefits, including competitive advantage. Network may also be regarded as the set of joint exchange relations between entities performing certain type of activity, or a set of selected cooperation and competition relations with selected partners entering into market relations of enterprises (Staszewska, 2009). Below there are listed examples of some networks functioning at Polish tourism market:

- a) networks functioning based on franchising agreements – McDonalds, Pizza Hutt, KFC, Stop Caffè at Orlen petrol stations,
- b) networks functioning as a consortium – Accor running networks of Sofitel hotels, Novotel, Mercure, Ibis, Holiday Inn, Orbis Hotels,
- c) networks functioning in the form of marketing groups – Polish Prestige Hotels and Resorts, Start Hotel.

The above are, however, networks selling homogenous type of services e.g. accommodation or restaurant ones, the main objective of which is to cut transactional costs. They are of nationwide, rather than regional, character. It is difficult, however, to find good examples of regional cooperation in order to construct a regional tourism product.

Clusters are regarded as one of the tools facilitating higher competitiveness and innovation of regional economy, apart from network cooperation. This notion refers to a group of economic entities, as well as related to them supporting organizations, located in geographical neighbourhood and active in a certain domain. The theory of clusters is based on studies by M. E. Porter (Porter, 1998), even though clusters' advantages were already presented in the 80s of the 20th century by an English economist A. Marshall. Therefore it should not be regarded as a new notion, however, in recent years this theory

¹ More about theoretical innovation systems see: www.klastry.pl.

was extended by practical experiences related to their functioning. The policy supporting clusters' construction undergoes ongoing observations and analyses. At this point it should be emphasized that while dealing with problems of policy supporting the establishment and functioning of clusters one has to emphasize that they emerge in a natural way. It is not public sector's task to create clusters, but to provide conditions facilitating cooperation and entering into contacts between entrepreneurs (Ketels).

The European Union defines clusters as groups of independent economic entities which cooperate and compete with each other. They are concentrated in a defined space, in one or a few regions, even though they may exert a much broader influence (global), they specialize in a certain domain and are related by common technologies and knowledge. A similar definition of clusters is given by OECD according to which they represent local associations of horizontally, or vertically related enterprises which specialize in similar areas of activity, together with organizations supporting them.

In the structure of clusters the following entities may be distinguished:

- enterprises constituting cluster's nucleus which play the role of leading entities. Most of their revenues originate from clients (companies) functioning outside a cluster. A nucleus may also include enterprises which compete between each other, but have to cooperate with each other in order to concentrate their means;
- enterprises supporting, in a direct or indirect way, the companies functioning within a cluster, like technology or raw materials suppliers, etc.;
- entities constituting the, so called, soft supporting infrastructure. Among them there are educational institutions (secondary schools, universities), research and development centres, local and regional branch organizations, regional development agencies, etc.;
- infrastructure covering, among others, communication availability (road network, railway connections, air transport), municipal economy entities (Molnár, Bernat, 2006).

In practice it means that a cluster participants may originate from: manufacturing enterprises, service providers, specialized marketing companies, intermediary agents, advisory and consulting companies, educational institutions (secondary schools, universities), research and development centres.

Therefore one may state that cooperation in the form of a cluster is of cooptition nature which should be understood more extensively than just cooperation. The concept of cooptition was used for the first time in 1993 by Raymond Noord – the

founder and managing director of Novell company. This notion referred to simultaneous competition and cooperation between two or more business partners, having assumed that they enter into repetitive interactions. Traditional competition resulted in the desire to eliminate the rival from the market, or at least limit its access to it. Coopetition, on the other hand, makes competition the game bringing about more extensive benefits to all its participants. Cooperation occurring in coopetition is regarded as one of “competitive activities”. In case of coopetition, as different from classical cooperation, certain common value is created. While sharing this value competition takes place in the area of partially common goals and it is not possible to define *ex ante* to what extent partners will benefit from such cooperation (Jankowska 2006).

Having considered that the concept of clusters assumes relationship (correlation) between the ability to compete and the ability for continuous upgrading of the offered product quality and innovation, it is worth considering this concept usefulness in tourism, bearing in mind that it is, among others, a spatial phenomenon. Cooperation in tourism at the level of tourism traffic destination (e.g. location, region) is observed as an obvious and natural phenomenon.

3. Opportunities for implementing cluster concept in tourism

One of the typical attributes of a tourism product is the complexity of its structure. Such product may consist of both a single service offered for a tourist (e.g. accommodation, transport along a certain route), or the whole package of services (e.g. a holiday stay at the seaside). It should also be remembered that competition in tourism refers not only to enterprises offering particular services or their bunches, but also to tourism destinations. Additional factor to be included in considerations referring to a tourism product and its construction is the fact that the majority of enterprises active at tourism market are small or medium sized agencies. They compete between each other to capture tourists, but also cooperate with one another, which manifests itself in a network of hotels or restaurants functioning in tourism oriented hospitality business. They are established in order to enhance competitiveness, to cut costs, to extend access to new technologies, information, to create common information base, to speed up the introduction of technical advancement in tourism sector, to enter into new markets, or share risks between such network participants. Usefulness of certain tourism economy entities functioning in such networks is, on one hand, highly appreciated, however, it has to be pointed out that the majority of service providers functioning in tourism focused locations and regions still persist outside such structures. For the tourism offer recipients it is of small significance whether particular service providers in a region (location) function within the framework

of network structures, or outside them. Clients expect an attractive offer to be provided by a tourism destination which will meet their expectations and needs. Additionally, it has to be noticed that small and medium sized enterprises, dominating tourism market, do not have full access to all resources influencing the preparation of such tourism product which is expected by tourists visiting their area. It frequently happens that these entrepreneurs cannot afford to provide all services by themselves. They are also not able to extend their own material base well enough. Therefore they are “sentenced” to cooperation with other market entities. It is also worth emphasizing that many resources constituting some part of regional tourism product do not have a specific owner (e.g. natural environment values). All entrepreneurs take common advantage of these resources while creating their own offer. Therefore, one may state that they should naturally be interested in defining rules for exploiting these resources and in cooperation focused on taking care about their condition.

In the above context it seems that the only tool to be used in order to upgrade regional competitiveness, among others, extending the offer structure, improving services quality, introducing innovation, may turn out a tourism cluster. Just as any cluster it should meet three basic conditions indispensable for its formal and effective functioning, which are as follows:

- concentration of entities representing related branches should take place within the area of a defined geographical space,
- entities from one cluster should cooperate with each other,
- cluster should not eliminate competition and rivalry between entities engaged in its functioning (Klastry, 2004).

In tourism we deal with specific geographical space within which the tourism function develops, or other forms of tourism exist. Such space is characterized by certain tourism advantages which constitute basis for tourism infrastructure development and facilitates their implementation. These advantages and the existing tourism infrastructure (as well as semi-tourism one) influence functioning of numerous entities in this location (region), which are included in the, so called, direct and indirect tourism economy. The mentioned above specific nature of a tourism product, and especially the product offered in a given area (location, region), requires not only the existence of enterprises specializing in the provision of diversified services, but also their cooperation with one another. Tourists coming to a certain tourism space (e.g. region, location) are interested in a tourism product constituting the set of goods and services, or facilities which meet their individual needs. The accomplishment of objectives, put forward by tourists and service providers (hotels, restaurants, owners of sport, recreation and cultural facilities, transport companies, travel agencies etc.) and also tourism

destination self-government authorities (in the form of increasing local revenues), requires cooperation of entities, organizations and institutions active within such area. An indispensable component of such cooperation becomes an ongoing flow of knowledge and information. Entities functioning in the area of a tourism destination (location, region) should therefore cooperate with each other for the benefit of a tourism offer development and for upgrading quality of provided services, which does not exclude the occurrence of mutual competition (Panasiuk, 2006). The latter enhances innovation in the sphere of a tourism destination product, its promotion and distribution, as well as improving its quality.

In the context of the so far presented considerations, referring to regional tourism product construction, basic advantages may be identified which constitute the consequence of tourism cluster practical implementation. While discussing this problem attention should be paid to the concept and usefulness of the, so called, tourism value chain (Weiermair, 1997). In order for tourists visiting a tourism oriented location (region) and taking advantage of the, so called, tourism destination product, to become fully satisfied certain components have to constitute one set made up of tourism advantages, material goods and services performed by different producers and service providers, but also elements of tourism and semi-tourism infrastructure featuring a given tourism destination. While working on such location (region) offer one desires to ensure an ongoing improvement of its structure, as well as guarantee due quality of all elements constituting the above mentioned chain. The quality of components responsible for making up a tourism destination product will play the key role in creating tourists' satisfaction from visiting a selected destination, i.e. location or region. Cooperation of all entities, which co-create tourism destination product and compete with each other in the sphere of services quality, is observed as the basic condition for meeting this objective.

4. Final remarks

Beyond any doubt tourism locations and regions, as well as economic entities functioning in their area and especially tourism oriented ones, should focus on improving their competitiveness and capacity for product innovation. Such process should manifest itself in an ongoing diversification of tourism offer provided by particular entities and a given tourism destination. The discussion presented in the hereby study indicates usefulness of tourism clusters in enhancing competitiveness of tourism destinations. However, several crucial issues referring to the way of their functioning should be indicated.

The so far gained experiences related to establishing clusters indicate usefulness of this form of cooperation not only for the benefit of developed regions, but also in case of economically undeveloped areas. For many of such regions tourism provides an opportunity to stimulate social and economic processes, however, it is difficult to implement the concept of tourism cluster in their area due to, among others, the absence of an entity representing tourism sector (leader) in such region, as well as weak ties between the existing enterprises.

A serious obstacle for such cluster functioning lies in a relatively weak overlap, as compared to industry sector, of both practice and research in tourism. The particular role played by innovation in cluster's functioning justifies presence of research and development entities in it (schools, universities, research centres). They should offer support for these tourism branch entities which are part of a cluster and participate in the process of tourism destination offer innovation. This, however, is not a commonly experienced situation in tourism oriented regions.

Cooperation development in tourism sector and implementation of tourism cluster concept is not, unfortunately, enhanced due to weak relations between tourism branch and research centres as the result of minor initiative presented by entities for entering into such cooperation and their unwillingness to take advantage of scientific and technical progress achievements in their activities.

The initiative of tourism cluster construction may turn out successful if efforts are taken up to develop partnership between public and private sector. Local self-government has to provide conditions for enhancing entrepreneurship and encourage new investors to undertake investments in the region. On the other hand, territorial self-government should not just construct a cluster but stimulate cooperation development at the level of tourism destination. Additionally, local and regional tourism organizations should not be identified with a cluster, but play the role of such cluster participants.

It also has to be reminded that locations and regions are characterized by different conditions from the point of view of creating clusters. What is more, just like in case of tourism destinations, they have their own life cycle. Participants of each tourism cluster should become aware of that and prepare themselves to undertake due activities at every stage of this cycle.

Bibliography

1. Jankowska B., *Konkurencja czy kooperacja? [Competition or cooperation?]*, „*Ekonomista*” 2009, nr 1, p. 67-89.

2. Ketels C., *The Development of the Cluster Concept. Present Experiences and Further Development*, w: *NRW conference on clusters*. Duisburg, www.competitevenness.org.
3. *Klastry. Innowacyjne rozwiązania dla Polski [Clusters. Innovative solutions for Poland]*, Instytut Badań nad Gospodarką Rynkową, Gdańsk 2004.
4. Molnár Z., Bernat P., *Řízení inovací v malých a středních podnicích (klastrech)*, „Ekonomie a management“ 2006 č. 9.
5. Panasiuk A., *Współpraca samorządu terytorialnego i przedsiębiorstw turystycznych. Zagadnienia instytucjonalne*, w: *Gospodarka turystyczna w regionie. Przedsiębiorstwo. Samorząd. Współpraca [Cooperation of territorial self-government and tourism enterprises. Institutional problems in: Tourism economy in a region. Enterprise. Self-government. Cooperation]*, ed. A. Rapacz, Wyższa Szkoła Zarządzania Gospodarką Regionalną i Turystyką, Kielce 2006.
6. Porter M.E., *Clusters and the New Economics of Competition*. „Harvard Business Review” 1998 no 6.
7. Staszewska J., *Klaster perspektywą dla przedsiębiorców na polskim rynku turystycznym [Cluster as the perspective for entrepreneurs at Polish tourism market]*. Wydawnictwo Difin, Warszawa 2009.
8. Weiermair K., *On the Concept and Definition of Quality in Tourism. Quality Management in Tourism*, Aiest, St. Gallen 1997.
9. www.klastry.pl.

Contacts

Prof. Andrzej Rapacz
Wrocław University of Economics, Poland
E-mail: andrzej.rapacz@ue.wroc.pl

PhD Daria E. Jaremen
Wrocław University of Economics, Poland
E-mail: daria.jaremen@ue.wroc.pl

PhD Piotr Gryszel
Wrocław University of Economics, Poland
E-mail: piotr.gryszel@ue.wroc.pl

Comparison of Development and Localizing Conditions of Tourism in the Slovak Republic and the Czech Republic after Generating of Separate Countries

Iveta Hamarnehová

The College of Business in Prague, Czech Republic

Abstract

Comparison of development and localizing conditions of tourism in the Slovak Republic and the Czech Republic after the split of the Czechoslovak in 1993. Author has done analysis of development and comparison of tourism in Czech and Slovak Republic.

In the first part of the article the author concentrates on the historical aside. Among other things, we can conclude that Czechoslovakia has been among the most developed European countries.

In the second (economic) part it compares arrivals, departures, receipts, expenditures and contributions of tourism to GDP and export.

In the third part, are presented by the localizing conditions of Czech and Slovak Republic. Includes a brief comparison of the assumptions of tourism in the Prešov Region and one Region in the Czech Republic (according to the author, the best seems Zlín Region – in terms of tourism potential, hospitable locals and economic success).

Part of the article is a brief assessment of the development of tourism in a time of global crisis in the countries surveyed.

Key words

Czech Republic, Slovak Republic, tourism, localizing conditions, comparison of tourism, arrivals, departures, receipts, expenditures, global crisis

Introduction

Tourism industry, as a sector strengthening the economy of the State, has an important place in the Czech and Slovak Republic. The present article analyzes the development of tourism, since 1993 in the Czech and Slovak Republic. Then tries to answer the question of how developments in different countries are being monitored and how it affects localization terms of tourism. It does not aim to determine the sequence of maturity level of tourism in both countries. Part of the article is a brief assessment of the development of tourism in a time of global crisis in the countries surveyed.

Czech and Slovak republic belongs in a global context of the smaller countries with the average population and population density. Within the world economy are among the developed European countries.

1. Development of tourism in Czechoslovakia

Tourism in the Czech lands developed as in other parts of Europe. The Czech lands were part of Austria-Hungary monarchy till the First World War and given the relatively high standard of living, tourism was at comparable level with other European countries. First World War marked a turning point not only to economic security, but also significant political change. The formation of Czechoslovakia in October 1918 opened a new chapter in history and greatly influenced the economic area, which is also reflected in the development of tourism.

Modern tourism in Czechoslovakia can be divided in several major periods: the period until the end of World War II., the period until 1989, the period after 1989 and then the period after 1993.

The period to the end of World War II.

In this stage, it is dominated by domestic tourism, which was supported by various volunteer groups in this time period. Organized tourism was developed by start-ups specializing in tourism. In 1920 was founded the first travel agency – Cedok.

Tourism development has not been conducted on the territory of Czechoslovakia evenly, historical development of Slovakia was reflected in its economic and social backwardness. In tourism sector, it was demonstrated primarily in low level of infrastructure and a slower development compared with the Czech Republic.

The period since World War II. till 1989

The World War II. and the subsequent dealing with the postwar situation limited the development of tourism. Dominant share in this period has again domestic tourism, which 90 % was performed by the form of cottage and camping. It specifically developed outbound tourism, free travel, for ideological reasons, almost did not exist. Trip abroad was an exclusively organized form of tourism. Also final destinations were quite specific. Travel to other centrally planned economies was the predominant (about 90 % of trips abroad). Only a small proportion of tourists traveled into the so-called capitalist countries.

The period after 1989

Continued transformation to a market economy, which created the conditions for fundamental political, economic and social changes² since November 1989, has been felt in the sphere of tourism. Tourism in this period experienced the extraordinary boom in both the number of arrivals of foreign visitors, as well as significantly increased the number of trips abroad by Czechoslovak citizens. The period immediately after the revolution was characterized by a demand for short trips for shopping. Later, the demand has shifted to longer stays and trips to more exotic destinations. Trend in recent years is the realization of several holidays throughout the year.

Whole period is characterized by the increase in key indicators of tourism. For comparison of the two republics has been chosen, the period after 1993.

2. Development of tourism in the Czech and Slovak Republic

Incoming tourism

After the split of Czechoslovakia we can observe incoming tourism a reduction in demand for tourist destination Slovakia. The reason is that the previously prevailing traditional visitors from the former East Germany, Hungary and Poland extended their interest in destinations that were largely unavailable.

Independent Slovakia, found itself on the eastern edge of central Europe, outside the demand and transit, although has a high potential for natural and cultural-historical attractions (see below). Czech Republic conversely to the initial phase of its separate development benefited more from its location and potential of existing attractions.

As evidenced by table 1 and 2, Czech Republic in the period experienced a greater number of visitors than Slovakia (and even per capita). Absolutely top arrivals were recorded in both countries in 1996.

¹ liberalization and demonopolization of foreign trade and tourism, foreign exchange liberalization, liberalization of passport and visa agenda, opening of new border crossings etc.

Table 1 Arrivals in the Czech Republic (1993 – 2006)

	1993	1994	1995	1996	1997	1998	1999
Arrivals in millions of people	71,7	101,1	98,1	109,4	107,9	102,8	100,8
Arrivals per capita ^{*/}	7,03	9,9	9,6	10,7	10,6	10,1	9,9

	2000	2001	2002	2003	2004	2005	2006
Arrivals in millions of people	104,3	103,1	97,6	95,0	95,9	100,5	100,1
Arrivals per capita ^{*/}	10,2	10,1	9,6	9,3	9,4	9,9	9,8

^{*/} Number of population = 10,2 millions

<<https://www.cia.gov/library/publications/the-world-factbook/geos/cz.html>>. [20.5.2010]

Source: Own work based on: <<http://www.mmr.cz/Cestovni-ruch/Statistiky-Analyzy>>. [25.4.2010].

Table 2 Arrivals in the Slovak Republic (1993 – 2007)

	1993	1994	1995	1996	1997	1998	1999
Arrivals in millions of people	12,9	21,9	27,3	33,1	31,7	32,7	30,8
Arrivals per capita ^{*/}	2,3	4,0	5,0	6,0	5,8	6,0	5,6

	2000	2001	2002	2003	2004	2005	2006	2007
Arrivals in millions of people	28,8	27,8	26,5	25,0	26,4	29,4	30,6	32,6
Arrivals per capita ^{*/}	5,2	5,1	4,8	5,0	4,8	5,3	5,6	5,9

^{*/} Number of population = 5,5 mil<<https://www.cia.gov/library/publications/the-world-factbook/geos/sk.html>>. [20.5.2010]

Source: Own work based on: <<http://www.mhsr.sk/statisticke-informacie-5587/127272s>>. [25.4.2010].

In the case of dividing guests on domestic and foreign (see table 3) it is clear that both groups of tourists are equally involved on the total number of guests in collective accommodation establishment. In additional, we noted that in case of, the Czech Republic since 2005, was dominated by foreign quests. With regard to Slovakia, the period was dominated domestic guests.

If we evaluate the year 2009, we could conclude decrease in the number of guests, both in Slovakia and the Czech Republic. In the analyzed countries,

there was a pronounced a more significant decrease in foreign guests. Arrivals of foreign tourists were mainly affected by two key factors – a reduction in demand and global economic crisis, which caused changes in the purchasing decisions of foreign tourists.

The current research of the Slovak Tourism Agency shows that the least impact of the crisis felt by spas and businesses focusing on wellness stays. This only confirms the recent trend – healthy lifestyle. The restaurants, guesthouses and hotels of three stars in the class were significantly affected by the crisis.

In the case of the Czech Republic because of the crisis will end a number of travel agencies that focus on the incoming. First of all, the decline in tourists was recorded mainly in guesthouses, hotels without stars and campsites. Later the most luxurious hotels in Prague were hardest affected.

Table 3 Guests at Collective Accomodation Establishments (Thousand persons), 2000 – 2009

Year	Guests in the Czech Republic		Guests in the Slovak Republic	
	Domestic	Foreign	Domestic	Foreign
2000	6 091	4 773	1 741	1 052
2001	5 878	5 405	1 942	1 219
2002	5 672	4 743	2 048	1 399
2003	6 271	5 076	1 987	1 387
2004	6 158	6 061	1 843	1 401
2005	6 026	6 336	1 913	1 514
2006	6 289	6 435	1 972	1 612
2007	6 281	6 680	2 093	1 685
2008	6 185	6 653	2 316	1 767
2009	6 024	6 081	2 083	1 298

Source: Czech Statistical Office; Ministry for Regional Development, Czech Republic; Ministry of Economy - Slovak Republic

Incoming tourism in both countries is unevenly distributed. The main flow of foreign tourists in the Czech Republic goes to Prague (more than 60 %), at the other position are placed Karlovy Vary Region, South Moravian Region, South Bohemian Region. In the case of the Slovak Republic the greatest interest of tourists is concentrated in Bratislava (almost 35 %). The other most popular regions include Žilina Region, Prešov Region and Trnava Region.

Foreign tourists often arrive in the months of July and August to monitor countries, the average length of stay in collective accommodation establishments are about 4 days [12, 23.5.2010].

The British hold the second place the past five years (although their share is gradually decreasing). The other major source of markets includes Italy, Poland and Russia. Slovak tourists are located on the 6th rank with nearly 5% share (see table 4). The largest group of foreign guests is Czech tourists in the Slovak Republic, at other places there are Polish, Germans, Hungarian and Italians (see table 4).

Table 4 Foreign Tourists in the Czech and Slovak Republic by the State of Origin in 2009

Rank	Czech Republic			Slovak Republic		
	Country	Guests	%share	Country	Guests	%share
1.	Germany	1 404 496	23,1	Czech Rep.	425 414	32,77
2.	Britain	374 349	6,2	Poland	164 712	12,69
3.	Italy	361 509	5,9	Germany	133 989	10,32
4.	Poland	348 595	5,7	Hungary	56 111	4,32
5.	Russia	327 634	5,4	Italy	50 982	3,93
6.	SlovakRep.	295 216	4,9	Austrira	50 065	3,86
7.	U.S.A.	274 194	4,5	Britain	42 315	3,26
8.	France	224 891	3,7	Russia	23 382	1,80
9.	Netherland	202 107	3,3	U.S.A.	20 815	1,60
10.	Spain	195 138	3,2	Ukraine	20 618	1,59

Source: Own work based on:

<http://www.czechtourism.cz/files/statistiky/aktualni_data/22_02_10_zahranicni_turiste_v_cr_2009.pdf>. [25.4.2010]

According to surveys of Ministry for Regional Development, the main purpose of visit to the Czech Republic for foreign tourists is holiday and leisure time (more than 50 %), visit of the friends and relatives (over 20 %) and business trip (about 20 %). The main purpose of same-day visitors is shopping (more than 70 %), business trip (over 10 %) and holiday and leisure time (about 6 %). Similar results are also recorded for Slovakia – predominant holiday and leisure time (about 20 %), business and study trip (about 14 %) and visit of the friends and relatives (about 12 %). Transit visitors are an important group in both countries.

Outgoing tourism

If we compare the departures of Czechs and Slovaks abroad we find that by the number of visits per capita, the situation is almost identical (3 – 4 trips). Departures

reached its peak in 1996, respectively 1998. Since that time we recorded a gradual decline in trips abroad. This decline has caused, inter alia, deteriorating economic situation reflected the rise in prices of essential needs. Preferences are gradually shifting back to domestic tourism (more pronounced in Slovakia – see table 3).

Average expenditures of Czech residents to travel abroad are higher than for Slovak residents.

The most popular destination for Czech and Slovak tourists is Croatia.³ The second most favorite destination for Czechs is Slovakia; the Czech Republic is not among the top 10 most popular destinations for Slovaks. Other traditional destinations of Czechs and Slovaks are Greece, Italy and Egypt.

The benefits of tourism to national economy

Tourism became an important sector of the economy at the time of restructuring of both the countries. Its active foreign currency balance from incoming and outgoing tourism contributes to balancing the disparities overall balance of payments.

Table 5 Foreign Currency Revenues, Foreign Currency Expenditures and Foreign Currency Balance from Incoming and Outgoing Tourism in 2000 – 2009 (EUR Millions)

Year	Czech Republic			Slovak Republic		
	Foreign Currency Revenues	Foreign Currency Expenditures	Foreign Currency Balance	Foreign Currency Revenues	Foreign Currency Expenditures	Foreign Currency Balance
2000	2971,9	1275,5	1696,4	431,5	295,3	136,2
2001	3102,9	1386,1	1716,8	638,5	286,7	351,8
2002	2963,1	1596,7	1366,4	724,0	442,2	281,8
2003	3565,9	1934,3	1631,6	863,0	572,2	290,8
2004	4188,4	2280,9	1907,5	901,2	745,1	156,1
2005	4660,6	2405,6	2255,0	1209,8	845,7	364,1
2006	5519,5	2765,4	2754,1	1513,4	1054,7	458,7
2007	6618,1	3643,5	2974,6	2013,2	1526,4	486,8
2008	7722,2	4588,9	3133,3	2583,7	2150,9	432,8
2009	6478,4	4078,1	2400,3	2412,3 ^{*/}	2166,8 ^{*/}	245,5 ^{*/}

^{*/} 1 eur = 1,4406 USD [31.12.2009]

Source: Czech National Bank; Czech Statistical Office; Ministry for Regional Development – Czech Republic; Slovak National Bank; Statistical Office of the Slovak Republic; Ministry of Economy – Slovak Republic

³ By 2008, the Slovak republic was the 1st place for Czechs. The main reason for the declining interest on the part of Czech tourists has been the introduction of the euro in 2009.

Table 6 Contribution of Tourism Industry Foreign Currency Revenues to GDP and Export (1993 – 2009)

Year	Czech Republic		Slovak Republic	
	Contribution to GDP	Contribution to Export	Contribution to GDP	Contribution to Export
1993	4,4	11,0	3,4	7,1
1994	5,4	14,0	4,3	8,6
1995	5,2	13,4	4,0	7,2
1996	6,6	18,6	3,7	7,6
1997	6,4	16,3	3,7	6,2
1998	6,3	15,0	2,5	5,9
1999	5,2	12,0	2,5	5,9
2000	5,3	10,3	2,2	3,6
2001	5,0	9,3	3,1	5,1
2002	3,9	7,7	3,1	4,2
2003	3,9	7,3	2,7	3,4
2004	3,8	6,2	2,2	3,3
2005	3,7	6,0	2,6	3,8
2006	3,5	5,3	2,7	3,2
2007	3,8	5,4	2,7	3,1
2008	2,7	5,3	2,6	3,1
2009	3,4	5,7	2,6	3,7

Source: Czech National Bank, Ministry of Economy – Slovak Republic

Tables 5 and 6 illustrate striking predominance of the Czech Republic in all economic indicators. The Czech Republic is more pronounced declining importance of tourism currency revenues from tourism to GDP and export. This is mainly a contribution to GDP, which since 1996 continuously decreasing, this is due to an improving state economy and the stagnation of the tourism sector.

3. Localizing conditions of tourism

Development of tourism in the territory is dependent on assumptions, which has a location. These assumptions are either raised the attractiveness of the local nature and landscape, or cultural-historical attractions.

Czech Republic as a typical transit country, Slovakia is outside the main transit axis. Both analyzed countries dispose of number well-preserved historical buildings – the Czech republic has about 36 000 cultural monuments, Slovakia about 12 000. On the World Heritage List of UNESCO, the Czech

Republic has 12 sites (cultural), Slovakia 9 sites (cultural and natural). The number of museums and galleries is around 430, respectively 130. Countries annually host many cultural events as well as of international importance.

Also, countries are rich in natural beauty. Third of the Czech Republic is a mountainous landscape with expectations for summer and winter recreation. For example, Slovakia is about 62 % of the territory, which is a significant competitive advantage over the neighboring countries (excluding Austria and Switzerland). The Czech Republic has 4 national parks that protect rare and unique plant and animal species. Protected landscape area occupies 10 % of the area the Czech Republic. Slovakia has 9 national parks and protected landscape area occupies 13 %. Both analyzed countries have a large number of caves and chasms – Slovakia has more caves and also those accessible to the public.⁴ Both countries have no sea, but offer a variety of attractive water areas – Czech Republic has more ponds, Slovakia has more glacial lakes. In both countries, we find Dam. Common is offered for spa visits, although a greater density of the thermal springs has Slovakia. Monitored countries also offer climatically suitable conditions for wine tourism – are being built wine trails.

Due to a limited extent of the article, the part devoted to a comparison of two selected regions (Prešov Region and Zlín Region), to be further specified during the conference.

Summary

In evaluating of the tourism development, in the Czech and Slovak Republic, we used basic statistics that are sufficiently comparable. According to the indicators show the improved performance of Czech tourism, the main causes of low output in Slovak tourism may be a greater distance from the main European source countries, transit location outside the main axis and a lower quality tourism infrastructure.

If we evaluate the localizing conditions of tourism in countries surveyed, we can conclude that cultural and historical attractions are at comparable levels. Slovak natural potential for tourism is at a higher level than the Czech – Slovakia has very rugged and varied scenery, clean environment, and climate and thermal spas. Unfortunately, Slovakia is still unable to sell their tourism potential in the strong international competition.

⁴ Inter alia, here we find the ice cave, which is a European rarity in extra-Alpine countries.

What we can say finally? Hopefully in new conditions for overcoming the current crisis for tourism in both countries will come to prosper.

Bibliography

1. HAMARNEHOVÁ, I. Porovnání vývoje a lokalizačních podmínek cestovního ruchu ve Slovenské a České republice po vzniku samostatných států. [CD-ROM]. In *Sborník recenzovaných příspěvků z mezinárodní vědecké konference Hotelnictví, turismus a vzdělávání dnes a zítra (Praha, hotel Ambassador, 22.10.2009)*. Praha: Vysoká škola hotelová v Praze 8, spol. s r.o., 2009. ISBN 978-80-86578-95-8.
2. HAMARNEHOVÁ, I. *Geografie cestovního ruchu. Evropa*. Plzeň: Nakladatelství a vydavatelství Aleš Čeněk, 2007. ISBN 978-80-7380-093-2.
3. JAROLÍMKOVÁ, L. ŘEHORKOVÁ, J. *Postavení České republiky ve světovém cestovním ruchu*. Praha: Oeconomica, 2008. ISBN 978-80-245-1472-7.
4. Koncepce státní politiky cestovního ruchu v České republice na období 2007 – 2013, MMR ČR, 2007
5. Nová stratégia rozvoja cestovného ruchu SR do roku 2013, Ministerstvo hospodárstva SR
6. ŠÍP, J. Srovnání vývoje mezinárodního cestovního ruchu ve Slovenské a České republice po vzniku samostatných států. *COT Business*, 2002.
7. <<https://www.cia.gov/library/publications/the-world-factbook/geos/ez.html>>. [20.5.2010].
8. <<http://www.mmr.cz/Cestovni-ruch/Statistiky-Analyzy>>. [25.4.2010].
9. <<https://www.cia.gov/library/publications/the-world-factbook/geos/lo.html>>. [20.5.2010]
10. <<http://www.mhsr.sk/statisticke-informacie-5587/127272s>>. [25.4.2010].
11. <<http://www.mhsr.sk/rok-2009-2008/132728s>>. [25.4.2010].
12. <http://www.czechtourism.cz/files/TZ/cs/19_02_09_prijezdovy_cest_ruch_2008.pdf>. [23.5.2010]. <<http://www.mhsr.sk/rok-2009-2008/132728s>>. [23.5.2010]
13. <<http://www.mhsr.sk/rok-2009-2008/132728s>>. [20.5.2010]
14. <http://www.czechtourism.cz/files/statistiky/aktualni_data/22_02_10_zahranicni_turiste_v_cr_2009.pdf>. [25.4.2010]

Contact

Iveta Hamarnehová

The College of Business in Prague, Spálená 76/14, 110 00 Prague 1,
Czech Republic

E-mail: Iveta.Hamarnehova@vso-praha.eu

Destination Marketing in Times of Crisis

Alžbeta Királ'ová

University of Business in Prague, Czech Republic

Abstract

The dynamically changing contemporary world is rich in crisis and very competitive at the same time. While the financial crisis has negative influence on tourism and destinations, competition drives the industry onward. Tourism professionals commonly believe that because tourism is perceived as a predominantly discretionary expense people will stop spending money or will spend less on tourism in times of crisis. This paper will show some strategies and examples of best practices in destination marketing in times of crisis. It will demonstrate that destinations, when able to create and offer innovated products to their stable segments, promote their products by applying up-to-date e-campaigns and support frequent visitor by loyalty programs can achieve positive results even in difficult times.

Key words

Crisis, tourism, destination, marketing, product, segment, positioning

When written in Chinese, the word "crisis" is composed of two characters. One represents danger and the other represents opportunity. John F. Kennedy

1. Introduction

As it is stated by UNWTO¹ the economic crisis and the swine flu pandemic produced in 2009 "one of the most difficult years" for the sector. International tourist arrivals fell by an estimate 4.0 % in 2009. Tourism receipts were down 6.0 per cent in 2009. Tourist activity in Europe fell by approximately 5.6 % in 2009, when destinations in central, eastern and northern Europe recorded a net

¹ Overall in Europe, International Tourist Arrivals Fell by approximately 5.6 % in 2009, Although Some Regions, Especially in Eastern or Northern Europe, recorded a Fall of up to 8 %. WTO World Tourism Barometer. Volume 8, January 2010; UNWTO: Increasing Confidence in 2010 Recovery for the Tourism Sector. Downloaded from:

<http://www.hospitalitynet.org/news/4043662.search?query=tourism+marketing+in+crisis/> (last accessed May 21, 2010)

fall of up to 8 % in the number of tourists. While arrivals in the Asia-Pacific region declined by 7.0 % between January and June, the second half of 2009 saw 3.0 % growth. In the Americas, where arrivals were down 5.0 %, the Caribbean returned to growth in the last four months of 2009. Africa had "bucked the trend" with growth of 5.0 %. Significant growth in domestic tourism, particularly in some large countries such as China, Brazil and Spain, as a result of the crisis can be observed. Based on annual World Tourism Barometer should rebound to grow by 3.0 to 4.0 % in 2010.

"An important aim of the EU tourism policy is to actively support the economic, environmental and social sustainability of European tourism since they are key factors for the competitiveness of destinations and the welfare of their populations, as well as for the creation of employment and for the preservation and enhancement of the natural and cultural attractions."²

The Lisbon Treaty acknowledges the importance of tourism and foresees the possibility for the Union to "complement the action of the Member States in the tourism sector, in particular by promoting the competitiveness of Union undertakings in that sector".³

The Madrid Declaration stated that it is particularly important to enhance the competitiveness of the tourism sector in Europe.⁴

In June 2010 the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the regions: "Europe, the world's No 1 tourist destination – a new political framework for tourism in Europe" was issued. "With this communication, the European Commission intends to encourage a coordinated approach for initiatives linked to tourism and define a new

² EU Tourism Policy. In: Research EU Focus. CORDIS, Unit Office for Official Publications of the European Communities. European Communities, 2008. Downloaded from: ftp://ftp.cordis.europa.eu/pub/news/research-eu/docs/research-focus_01.pdf (last accessed June 4, 2010)

³ Treaty of Lisbon. Amending the Treaty on European Union and the Treaty Establishing the European Community. In: Official Journal of the European Union. C 306/1, Volume 50, ISSN 17252423. Downloaded from: <http://eur-lex.europa.eu/JOHtml.do?uri=OJ:C:2007:306:SOM:EN:HTML> (last accessed June 4, 2010)

⁴ The Madrid Declaration: „Towards a Socially Responsible Tourism Model". In: Informal Ministerial Meeting for Tourism under the Spanish Presidency. Madrid, April 2010. Downloaded from: http://ec.europa.eu/enterprise/sectors/tourism/files/madrid_stakeholders_conference/declaration_madrid_en.pdf (last accessed June 4, 2010)

framework for action to increase its competitiveness and its capacity for sustainable growth.”⁵

Tourism as a major economic activity with a broadly positive impact on economic growth and employment in Europe is an increasingly important aspect in the life of European citizens. Tourism is also an important instrument for reinforcing Europe's image in the world, projecting values and promoting the attractions of the European model, which is the result of centuries of cultural exchanges, linguistic diversity and creativity.

“European tourism has recently experienced a difficult economic situation, aggravated by the eruption of the Eyjafjöll volcano, which has demonstrated both its vulnerability and its resilience, thanks to the importance Europeans attach to travel and holidays. Thus the economic and financial crisis, which has affected all economies since 2008, has had a considerable effect on demand for tourist services. More recently, the interruption of air traffic during April and May 2010 due to the presence of volcanic ash clouds had a major effect on travel in Europe, causing significant disruption to airlines, travel agencies and tour operators as well as tourists themselves.

This difficult background for the tourism industry has highlighted a number of challenges which the European tourism sector must face. In order to respond, it is essential that all operators in the sector combine their efforts and work within a consolidated political framework that takes account of the new EU priorities set out in the 'Europe 2020' strategy: Europe must remain the world's No 1 destination, able to capitalize on its territorial wealth and diversity.”⁶

While the financial crisis has negative influence on tourism and destinations, competition drives the industry onward. As tourism is widely

⁵ Communication From The Commission To The European Parliament, The Council, The European Economic And Social Committee And The Committee Of The Regions: Europe, The World's No 1 Tourist Destination – A New Political Framework For Tourism In Europe. Com (2010) 352/3, Brussels, July 30, 2010. Downloaded from:

http://Ec.Europa.Eu/Enterprise/Sectors/Tourism/Files/Communications/Communication2010_En.Pdf (last accessed July 2, 2010)

⁶ Communication From The Commission To The European Parliament, The Council, The European Economic And Social Committee And The Committee Of The Regions: Europe, The World's No 1 Tourist Destination – A New Political Framework For Tourism In Europe. Com (2010) 352/3, Brussels, July 30, 2010. Downloaded from:

http://Ec.Europa.Eu/Enterprise/Sectors/Tourism/Files/Communications/Communication2010_En.Pdf (last accessed July 2, 2010)

perceived as a predominantly discretionary expense, tourism professionals often believe that people will stop spending money or will spend less on tourism in times of crisis. With understanding visitor behavior, it is possible to influence their decisions by developing appropriate strategies.

2. Marketing Destinations in Crisis

Destinations offer an integrated experience to visitor and traditionally, are defined as territories, geographical areas, such as a country, an island or a town.⁷ At the same time a destination can be also recognized as a perceptual concept, which can be interpreted subjectively by visitors, depending on their travel itinerary, cultural background, purposes of visit, educational level and past experience. Based on both theories, destinations are considered to be a defined geographical region which is understood by its visitors as a unique entity, with a political and legislative framework for tourism marketing and planning.

Leiper defines destinations as places towards which people travel and where they choose to stay for a while in order to experience certain features or characteristics a perceived attraction of some sort.⁸ Cooper, Fletcher, Gilbert, Shepherd and Wanhill describe destinations as the focus of facilities and services designed to meet the needs of the tourists.⁹ In accordance to Buhalis, most destinations comprise a core of components, which can be characterized as the six A-s frameworks:

- Attractions (natural, man-made, artificial, purpose built, heritage, special events)
- Accessibility (entire transportation system comprising of routes, terminals and vehicles)
- Amenities (accommodation and catering facilities, retailing, other tourist services)
- Available packages (pre-arranged packages by intermediaries and principals)
- Activities (all activities available at the destination and what consumers will do during their visit)

⁷ Davidson, R., & Maitland, R.: Tourism destinations. London: Hodder & Stoughton 1997; Hall, C. M.: Tourism Planning: Policies, processes, relationships. UK: Prentice Hall 2000

⁸ Leiper, N.: Tourism Management. Melbourne: RMIT Press 1995

⁹ Cooper, C., Fletcher, J., Gilbert, D., Shepherd, R., & Wanhill, S. (ed.): Tourism: Principles and practices, (2nd ed.). England: Addison- Wesley, Longman 1998

- Ancillary services (services used by tourists such as banks, telecommunications, post, newsagents, hospitals, etc.).¹⁰

Agreeing to Buhalis, a destination can be regarded as a combination of all products, services and experiences provided locally. The destination itself is often perceived as a brand.¹¹

The image and perception of a destination as a collection of products, services and experiences are aspects closely linked to the competitiveness of tourism.¹²

To be able to offer „the destination“, to the right audience, the destination management organization should continually monitor tourist satisfaction levels as the infrastructure development of destination has implications for the types of tourists that will be attracted. Monitoring of hosts reactions to tourists is important as interaction of both is an integral part of the tourist experience.¹³

Understanding visitors behavior is essential in decoding all the activities used to develop communicate and sell services. It is necessary to understand visitors motives regarding why some services are preferred or rejected by visitors.¹⁴ With this understanding, it will be possible to influence visitor decisions by developing appropriate strategies.

A significant challenge relates to the demographic trends observed in Europe and the new tourist behavior or expectations. The number of persons aged over 65 is expected to reach 20 % of the population in 2020. This population group represents significant market potential but also requires changes in destinations tourism strategy to meet its particular needs. The same applies to the increasing number of tourists with reduced mobility (recently estimated at 127 million persons), who have specific needs.

¹⁰ Buhalis, D.: Marketing the competitive destination of the future. In: Tourism Management 21, Elsevier 2000, p. 98

¹¹ Buhalis, D.: Marketing the competitive destination of the future. In: Tourism Management 21, Elsevier 2000, p. 98

¹² Study on the Competitiveness of the EU Tourism Industry, September 2009. Downloaded from:

http://ec.europa.eu/enterprise/newsroom/cf/document.cfm?action=display&doc_id=5257&userservice_id=1&request.id=0 (last accessed May 21, 2010)

¹³ Ryan, C.: Tourism and marketing-A symbiotic relationship. Tourism Management, 12(2) 1991, pp. 101-111.

¹⁴ Gruescu, R.: International Tourism, Economical and Social Aspects, Sitech Publishing House, Craiova 2007

Destination must at the same time take into account constraints linked to climate change, the scarcity of water resources, pressure on biodiversity and the risks to the cultural heritage posed by mass tourism. Tourism businesses need to reduce their use of drinking water where there is a risk of drought, and reduce their greenhouse gas emissions and environmental footprint.

The development of information and communication technologies and their increasing use by visitors has also radically changed the relationship between the destinations and their visitors.

There are also specific challenges determined by the particular characteristics of the European destinations, linked on the one hand to consumer models, particularly seasonal distribution and tourist movements, and on the other to production models, i.e. the value chain and tourist destinations. Tourist demand is currently concentrated very strongly on the months of July and August. This seasonal aspect not only affects revenue flows, but results in non-optimum use of existing infrastructure and staff.

Tourism destinations are facing increasing global competition, with emerging or developing destinations attracting increasing numbers of tourists. Faced with this competition, destinations must offer sustainable and high-quality tourism, playing on their comparative advantages.¹⁵

The above mentioned challenges require the destinations to adapt quickly in order to retain their level of competitiveness. In context of above mentioned the following text will focus on destination image, importance of positioning, “new” and niche segments, product and marketing communication innovations, visitor loyalty and people.

2. 1 Destination Image

In order to be successfully promoted in the targeted markets, a destination must be favorably differentiated from its competitors. Calantone, Di Benetto, Hakam and Bojanic argue that a key component of this positioning process is

¹⁵ Communication From The Commission To The European Parliament, The Council, The European Economic And Social Committee And The Committee Of The Regions: Europe, The World's No 1 Tourist Destination – A New Political Framework For Tourism In Europe. Com (2010) 352/3, Brussels, July 30, 2010. Downloaded from: http://Ec.Europa.Eu/Enterprise/Sectors/Tourism/Files/Communications/Communication2010_En.Pdf (last accessed July 2, 2010)

the creation and management of a distinctive and appealing perception, or destination image.¹⁶

A destination's image is a complex and important concept in the destination-selection process. According to Sonmez and Sirakaya, if a destination is interested in developing a sustainable tourism industry in a period of increasing competition, then it needs a clear understanding of tourists' images to develop a successful positioning strategy in the competitive marketplace.¹⁷

Andersen, Prentice and Guering indicate that central to destination marketing is the way in which the image is perceived and acted upon by potential tourists as it is often perceptions rather than reality that motivate tourists to visit a destination.¹⁸

Tourism destination images are important because they influence both the decision-making behavior of potential tourists and the levels of satisfaction regarding the tourist experience.¹⁹ An accurate assessment of destination image is a prerequisite to designing an effective marketing strategy and helps the destination marketer to offer what its visitors are expecting and create more realistic expectations if necessary.²⁰

Tourism destinations are perceived by visitors on different levels:

- **Physical level** - attention excitation; expectations; desire excitation; willingness to visit a destination;
- **Motivation level** - destination is accepted, tested and recognized;
- **Rational level** - sensual stimulations with help of environment, use of knowledge; opinion creation during experience with destination - appreciation of satisfaction with destination;

¹⁶ Calantone, R. J., di Benetto, C. A., Hakam, A., Bojanic, D. C.: Multiple Multinational Tourism Positioning Using Correspondence Analysis. *Journal of Travel Research*, 28 (2) 1989, pp. 25-32.

¹⁷ Sonmez S., Sirkaya, E.: A Distorted Destination Image? The Case of Turkey. *Journal of Travel Research*, Vol. 41, No.2/2002, pp. 185-196.

¹⁸ Andersen V., Prentice, R., Guering, S.: Imagery of Denmark Among Visitors to Danish Fine Arts Exhibition in Scotland. *Tourism Management*, Vol.18, No.7/1997, pp. 453-464.

¹⁹ Jenkins O. H.: Understanding and Measuring Tourist Destination Images. *The International Journal of Tourism Research*, 1/1999, pp. 1

²⁰ Watkins, S., Hassanien, A., Dale, C.: Exploring the Image of the Black Country as a Tourist Destination. *Palgrave Macmillan Ltd 1744-0696*, Vol. 2, 4/2006, pp. 321-333.

- **Emotional level** - experience gathering; individual emotional reaction is just hardly anticipated;
- **Mental level** - positive and strong emotional reaction based on unique experience.

Tourists, before visiting a destination, develop an image about it as well as a set of expectations based on previous experience, word of mouth, press reports, advertising, and common beliefs.²¹ Therefore building a positive destination image is, regarding to its competitiveness, crucial. The most frequently cited definition for destination image is: 'the sum of beliefs, ideas and impressions that a person has of a destination'²². This involves an individual's mental picture of a place based on their knowledge and other global impressions. Image is also defined as a perceptual phenomenon formed through a consumer's reasoned and emotional interpretation, and which has both cognitive (beliefs) and affective (feelings) components²³.

According Baloglu, Brinberg, Gartner, Walmsley and Jenkins²⁴, perceptual or cognitive evaluation refers to beliefs and knowledge about an object whereas affective refers to feelings about it. In other words affective component reflects an individual's general feelings or emotions toward an object.²⁵

²¹ Baloglu, S., Brinberg, D.: Affective Images of Tourism Destinations. *Journal of Travel Research*, 35(4) 1997, pp. 11-15; Chon, K. S.: Tourism Destination Image Modification Process: Marketing Implications. *Tourism Management*, 12(1) 1991, pp. 68-72; Chon, K. S.: Self-Image/Destination Image Congruity. *Annals of Tourism Research*, 19(2) 1992, pp. 360-363.

²² Crompton, J. L.: An Assessment of the Image of Mexico as a Vacation Destination and the Influence of Geographical Location Upon That Image. *Journal of Travel Research* 17(4)/1979, pp.18-23 as cited in Jenkins, O. H.: Understanding and Measuring Tourists Destination Images. *International Journal of Tourism Research*, 1/1999, pp. 11-15

²³ Konecnik, M.: Evaluating Slovenia's Image as a Tourism Destination: A Self Analysis Process Towards Building a Destination Brand. *Journal of Brand Management*, 11/2004, p. 4.

²⁴ Baloglu, S., Brinberg, D.: Affective Images of Tourism Destinations. *Journal of Travel Research*, 35(4)/1997, pp. 11-15; Gartner, W. C.: Image Formation Process. In: *Communication and Channel Systems in Tourism Marketing*. Uysal, M., Fesenmaier, D. R. eds., pp. 191-215. New York: Haworth Press 1993; Walmsley, D. J., Jenkins, J. M.: Appraisive Images of Tourist Areas: Application of Personal Construct. *Australian Geographer* 24(2)/1993, pp. 1 ± 13.

²⁵ Son, A.: The Measurement of Tourist Destination Image: Applying a Sketch Map Technique. *International Journal of Tourism Research* 7/2005, pp. 279-294.

The importance of destination image is stated also by the European Commission when it wants to improve the image of Europe and its perception as a collection of sustainable and high-quality tourist destination. With a view to exploring the best options for the joint presentation of Europe's supply of tourist services, the Commission considers it necessary to promote this image in world markets through joint initiatives with the Member States and European industry.²⁶

In times when internet, satellites, global TV channels and networks are everywhere, crisis are very well covered by media – they can very quickly desolate destinations. Some destinations could be presented by media as problematic (blighted areas, neglected infrastructure, high crime rate, etc.) what creates negative image and consequently negative impact on tourism in destination. Destinations perceived as dangerous or causing fear will be definitely disadvantaged.

Global media can have negative impact on destination also by presenting them as boring and/or ugly and/or rating the food in destination in worst food list. Birmingham in England has been voted most boring and ugly city in Europe. According to Tripadvisor's survey, Birmingham is not only boring and ugly but also tasteless city in Europe. Birmingham City Authorities are worried about the negative impact this survey could have on the Tourism Industry of the city.²⁷

Increasing competition among countries in the field of tourism and negative image can harm destinations more than ever. Negative image even if not based on facts and truthful information as once became a stereotype it is difficult to change it.

A competitive destination has an „...ability to increase tourism expenditure, to increasingly attract visitors while providing them with satisfying memorable experiences and to do so in a profitable way, while enhancing the well-being of destination residents and preserving the natural

²⁶ Communication From The Commission To The European Parliament, The Council, The European Economic And Social Committee And The Committee Of The Regions: Europe, The World's No 1 Tourist Destination – A New Political Framework For Tourism In Europe. Com (2010) 352/3, Brussels, July 30, 2010. Downloaded from:

http://Ec.Europa.Eu/Enterprise/Sectors/Tourism/Files/Communications/Communication2010_En.Pdf (last accessed July 2, 2010)

²⁷ Birmingham Voted Most Boring and Ugly City in Europe. Travel News, July 13, 2010. Downloaded from: <http://www.easydestination.net/blog/?itemid=818> (last accessed July 19, 2010)

capital of the destination for future generations“²⁸. Ritchie and Crouch identified six dimensions of destination competitiveness, being economical, political, social, cultural, technological and environmental.²⁹

From the point of view of visitors a competitive destination offers quality services and the standard of services provided by destination residents and employees in tourism is high. A competitive destination is able to create value to visitors.

Tourism professionals often proclaim that the financial crisis has damaged the tourism industry evenly. Some successful destinations indicate that this is not always the case. What is the principle of success of destinations which shows unique stability in these unstable times? The answer is in understanding of implementing appropriate strategy based on three major factors:

- the crisis;
- the audience;
- the place characteristics.³⁰

2.2 The Importance of Positioning

On today's world, competitiveness concept has become even more significant due to the economic downturn and the new visitors trends. The long term success of a destination depends on how competitive they are in the marketplace and how well they are positioned.

Market positioning is defined as the process of identifying and selecting markets or segments that represent business potential, to determine the criteria for competitive success.³¹ This must be based on a thorough knowledge of the needs, wants, and perceptions of the target market, along with the benefits offered by the destination.

The objective of positioning is to create a distinctive place in the minds of potential visitors. To create a position that evokes images that differentiate the destination from the competition and also as a place that can satisfy the visitors' needs and wants.

²⁸ Crouch, G. I., Ritchie, J. R. B.: *The Competitive Destination: A Sustainable Tourism Perspective*. CABI Publishing, Oxfordshire, UK 2003

²⁹ Ibid.

³⁰ Ketter, E.: *Marketing in Times of Financial Crisis: Tourism Recovery Strategies for Turbulent Times*. Downloaded from:
<http://www.eturbonews.com/9594/marketing-times-financial-crisis-tourism-recovery-strategies-turb> (last accessed May 21, 2010)

³¹ DiMingo, E.: *The Fine Art of Positioning*. *The Journal of Business Strategy*, March/April, 1988, pp. 34-38.

Positioning helps to distinguish tourism destinations from similar destinations, promises benefit the visitor will receive, create expectation, and offer a solution different from and/or better than the competition's solution set.

Tourism services compete on more than just image, differentiation, and benefits offered. There must be a consistency among the various offerings as positioning affects policies and procedures, employee attitudes, customer relations, complaint handling, etc. that combine to make the tourism experience. In context of above mentioned the position must be believable in the tourist's mind and the destination must deliver the promise on a consistent basis.

The challenge of tourism product marketing is given by its intangibility which goes hand in hand with the tangible aspects of the tourism destination. At the same times the tangibles also have a measure of intangibility because they are experienced rather than possessed. Because they are so difficult to differentiate, to be competitive, the intangibles have to be marketed.

It must be stated that the images, benefits, and differentiation are solely the perception of the tourist, not the perceptions of tourism officials or the tourism marketer. The benefit itself is what the attributes do for the visitor; it exists in the mind of the visitor so that the credibility of benefit may diminish rapidly if expectations are not fulfilled.

Only after gaining the information on what benefits brings the destination to visitors is obtained, can a destination match its strengths to the visitors' needs and the benefits sought. This knowledge will also provide a basis for the development of a credible differentiation strategy. If the destination is not perceived as being different from the competition, then differentiation has not succeeded.

2.3 “New“ Tourism Segments

Despite the economic meltdown some tourism segments demonstrating unique stability and firmness. There are in particular:

- domestic tourists;
- religious tourists;
- volunteer tourists;
- gay and lesbian tourists;
- health and wellbeing (including spa) tourists;
- trendsetters.

In times when traveling abroad may become too costly, destination management organizations can concentrate on domestic visitors. In London, for example, the decrease in international tourism was balanced by an 11.5 percent annual increase in the number of visitors from other parts of Britain. The agency Visit London

launched a local marketing campaign under the slogan “Only in London”. North Carolina, USA managed to increase domestic tourism by launching an inner-state campaign titled “Discover the state you’re in” in the early 2000’s.

Tourism to the Vatican City recorded no decline in spite of the crisis what demonstrates the devotion of the religious target audience. Similarly, Israel focused on religious tourism to keep attracting visitors during the on-going conflict in the early 2000’s. Using the slogan: “Don’t let your soul wait any longer, come visit Israel”, the country successfully addressed a target audience that is less vulnerable to crises situations.

Another segment that is less affected by the international financial crisis is volunteer tourism. From the perspective of tourism destinations, this implies that providing visitors with volunteer opportunities is an additional way to create and increase value. Consequently, developing and marketing volunteering products can enhance the visitor’s experience, assist in maintain market share and for sure benefit the local community.

Chicago routinely touts itself as a gay-friendly city and continues to leverage any gay capital it might have earned from hosting the 2006 Gay Games. Philadelphia launched their own gay tourism marketing campaign in 2003 called „Get Your History Straight and Your Nightlife Gay“ - with a \$300,000-a-year budget the effort has managed to move Philadelphia into the 13th-most-visited U.S. destination for gay and lesbian travelers; up from 20 in 2006. An estimated 10 percent of the New York ’s 47 million visitors last year were lesbian, gay, bisexual or transgender. Looking for a bright spot in the economy, cities are increasingly marketing themselves to gay and lesbian tourists. This segment travels 2.5 times more as an average family. A 2006 study by the U.S. Travel Association found that gay men spend an average of \$260 more per trip than their straight counterparts.

Aging “Baby Boomers” become a market force that greatly influences the development of health spa and wellness market. They are interested in and desire for travel opportunities that also meet their health needs, they no longer conform to the stereotype of an elderly stay-at-home. They are well educated, independent, able to enjoy life on their own terms, eager to make choices, excited to learn, living a fast-paced lifestyle, experiencing a sort of personal awakening.³²

People are fascinated with fitness and alternative therapies and their use for promoting and enhancing health and healing; with healthy lifestyle education; with nutrition counseling; with preventative medicine. They are interested in

³² Pélouquin, C.: Are Senior Travelers Really so Different? Downloaded from: <http://tourismintelligence.ca/2005/05/22/are-senior-travellers-really-so-different/?tagged=> (last accessed 7 March 2010)

solving personal problems like stress or depression; in holistic, naturopathic, alternative or eastern medicinal practices/therapies.³³

Customers often want something new and different in a holiday experience, educational or experiential, and many aspects of health and wellness tourism also fulfills those requirements.

One of the consumer trends in tourism is based on the constant search for novelty and something more extreme.³⁴ When, according to Maslow's hierarchy³⁵, self-actualization and self-fulfillment needs are met, for many rich individuals, in order to distinguish themselves from the mass, "hedonic conspicuous consumption" becomes crucial. This especially holds true for tourism.

Generally it can be said that an increasing number of trendsetter tourists is „experienced, sophisticated and demanding“, and thus always looking for new experiences. Holloway argues about that type of tourist that "however satisfied they might be with the former holiday, they will be unlikely to return to the same destination, but are forever seeking something more challenging, more exciting, more remote". This also explains the growing demand for long-haul trips to remote, unexplored and exotic destinations. As soon as the mass arrives at those new places, the upper-end of the tourists will turn towards new destinations again in order to "satisfy the search for status". Because possibilities on earth are exhausted, the next frontier consequently has to be space.³⁶

³³ Ross, K.: Health Tourism: An overview. In: HSMAI Marketing Review December 2001. Downloaded from: www.hospitality/net.org; Verschuren, F.: Spa, Health and Wellness Tourism: A New Product Portfolio at the Canadian Tourism Commission. CTC 2004, p. 5.

³⁴ Cooper, Ch.; Fletcher, J.; Fyall, A.; Gilbert, D.; Wanhill, S.: Tourism: Principles and Practice. 3rd Edition. Pearson Education Limited, Essex 2005, p. 743, ISBN 9780273684060

³⁵ Maslow, A.: Motivation and personality. Harper and Row New York, New York 1954

³⁶ Cooper, Ch.; Fletcher, J.; Fyall, A.; Gilbert, D.; Wanhill, S.: Tourism: Principles and Practice. 3rd Edition. Pearson Education Limited, Essex 2005, p. 743, ISBN 9780273684060; Holloway, J. Ch.: The Business of Tourism. 7th Edition. Pearson Education Limited, Essex 2006, p. 70, ISBN 0-27-370161-4; Cater, C. I.: Steps to Space; opportunities for astrotourism. In: Tourism Management 2009 pp. 1–8; Crouch, G. I.; Devinney, T. M.; Louviere, J. J.; Islam, T.: Modeling Consumer Choice Behavior in Space Tourism. In Tourism Management 30/ 2009 pp. 441–454; Moskowitz, C.: Circus Billionaire Says Space Trip Worth Every Penny. 06th October 2009. Downloaded from: <http://www.space.com/missionlaunches/091006-space-576>

2.4 Niche Segments

- Baby boomers.
- Eco-tourists.
- Rural and Agro-tourists.
- Sport spectators and Sports participants.
- Culinary tourists.
- Historic and heritage tourists.

One of the best niche segments in the upcoming decade is the baby boom generation. These are people who will soon be retiring and who seek fun, educational, and meaningful experiences for themselves, their children, and their grandchildren. As people come to certain age, the issue of security and safety moves to the forefront. When people are scared then tourism security is part of economic security. Destination can find new and innovative ways to enhance its product and add extra value to it. Destination can promote tourism security as they would promote a new business. The reality is very much the contrary, the safer and more secure the destination is perceived to be, the greater the opportunity to increase the margin of profit.³⁷

Visitors considering themselves environmentally-conscious and increasingly aware of terms such as carbon footprint and global warming, are beginning to make decisions based on sustainability criteria. Though lack of the willingness to pay extra to support environmentally-friendly travel providers can be still observed, “green destinations” are well perceived by visitors.³⁸

Rural and agro-tourism is increasingly becoming a popular tourism trend all over the world and rural rest houses and inns are becoming a trendy choice for those seeking a short holiday during weekends or during summer vacations away from the overcrowded and polluted cities. Tourists are seeking

clown-settles.html (last accessed May 21, 2010); Moskowitz, C.: Billionaire Clown Lands after Space Mission. Space.com. Downloaded from: <http://www.space.com/missionlaunches/091010-exp20-landing-wrap.html> (accessed May 21, 2010)

³⁷Tarlow, P.: The Role of Tourism Security in Economically Challenging Times. Downloaded from: <http://www.eturbonews.com/12905/role-tourism-security-economically-challenging-times> (last accessed May 21, 2010)

³⁸ SCHENSUL, J.: TEN TRAVEL TRENDS FOR 2010. DOWNLOADED FROM: <http://www.eturbonews.com/13595/ten-travel-trends-2010> (last accessed May 21, 2010)

destinations where they can spend an unforgettable holiday in an atmosphere distinguished with quietude and a clean rural environment.

Rural tourism at the global level is the fastest-growing sector in the tourism industry, where the growth is about 10 to 15 percent of the total tourism expenditure worldwide. Moreover, the International Fund for Preserving Wildlife estimates that around 20 percent of the income of tourism in the developed countries is generally derived from environmental tourism.³⁹

There is doubt rural tourism has positive social and economic impacts on destination. It can revitalize the local economy through diversification of tourism products, promoting tourism, and creating new job opportunities especially at traditional farms in rural areas. In addition, it will highlight the tangible and intangible cultural heritage, such as traditional crafts based on local environments, participation in cooking traditional foods, as well as other activities typical for the natural environment.

Sports play an important role in tourism. It has two different aspects – the passive one is spectator sport and the active one is participatory sport. Spectator sports are more part of the entertainment industry as they go hand in hand with shows – Olympic Games' opening ceremony, shows during the breaks of championships, etc. Participatory sports, such as skiing, swimming, biking, or jogging, may or may not have a competitive side to them. Both spectator and participator sports can play a major role in a destination's tourism industry.

Sports are a major tourism generator. Thousands of people attend major sporting events and their attendance generates a great deal of revenue also for the tourism industries. Hotels, restaurants, nightspots, and transportation facilities are only a few of the tourism industries that benefit from these sporting events.

Sports provide a community with a sense of sizzle and a dynamic image. Destinations can use sports as a way to develop a halo affect that spills over into every aspect of their image.⁴⁰

Travelers seem to have a growing taste for culinary travel. Cooking schools and food-oriented destinations have become increasingly popular among foodies.⁴¹

³⁹ Rural Inns a Great Choice for Those Looking for Agro - Tourism in Saudi Arabia. Downloaded from: <http://www.eturbonews.com/11653/rural-inns-great-choice-those-looking-agro-tourism-saudi-arabia> (last accessed May 21, 2010)

⁴⁰ Tarlow, P.: Sports Tourism is a Hot Commodity. Downloaded from: <http://www.eturbonews.com/16417/sports-tourism-hot-commodity> (last accessed July 19, 2010)

⁴¹ Foodie - someone who is interested in foods, cooking, and the latest food and restaurant fads. Spears, R. A.: Dictionary of American Slang and Colloquial 578

Culinary destinations, known also as Delicious Destinations, attract tourists of a range of ages: people in their 40s and 50s are common, people who are retiring, people with lots of time and certain level of income, educated people with interest in wine and food.

In regions known for good food e. g. France, Italy, Spain, Mexico, Vietnam, Thailand and other exotic locales including Peru, tourists often find offers based on eating and drinking. In these destinations tour operators, cooking schools, hotels, and even individual chefs offering tours and classes for visitors who want to learn about local foods and traditional cooking methods. Options can range from tours of farmers' markets and specialty food shops to multi-day packages with intensive hands-on cooking classes with top chefs and visits with food artisans; in some destinations various home-based cooking classes in the countryside villages are offered.

A growing number of visitors are becoming special-interest travelers who rank the arts, heritage and/or other cultural activities as one of the top five reasons for traveling. Cultural travelers want to enrich their lives with new travel experiences and so that learn about the past while exploring the present.

Cultural heritage tourism focuses on making history come alive and experiencing life in a destination as it used to be. It means maintaining and preserving historic places, buildings and sites, as well as traditions, customs and folklore. Destinations identify and share their stories through museums, theaters, historic sites, fairs, festivals, ethnic diversity, music and the arts.

2.5 Product Innovation

- Value Tourism.
- Experience & Adventure Tourism.
- The Story.

The decline in average length of stay, as well as on expenditure is the reality of contemporary world - destinations offering value for money and with favorable exchange rates have an advantage as price becomes a key issue. More than ever it is necessary to work closely together in the tourism

value chain, between public and private sector, and destinations with trade.⁴² All-inclusives and packages will be more and more popular as a way to manage/predict the total trip costs, visitors stay for shorter time and spend less for souvenirs. Visitors often consider different destinations than initially planned if a compelling deal is offered.

There must be focus on value tourism product. Destinations need, to create incentives for visitors. Attractive value added deals are the way to go.

International trade shows, individualized advertisement and customer relationship management programs are complemented by invitations to destinations where they can „see, get and take home so much“.

Visitors want to take home souvenirs and memories of time spent in destination. They take home local artworks, handicrafts, souvenirs and display them in their living rooms. Destinations try to find new, creative ways to help visitors remember impressions as long as possible (and the destination as well).

Basically visitors expect satisfaction of their desires and dreams and there are experiences they want to take home from destinations. According to the European Union Guideline from 1990, the loss of experience from holidays is reclaimable. Based on the guideline, the injured client of travel agency who feel that he/she suffers because of the loss of experience should be indemnified.

Typical experience and adventure (E&A) activities are taking place in the countryside, generally in unusual, exotic, wild or little known places. These activities are sometimes supported by uncommon forms of transport which are combined with different level of physical activities. Risk is usually a part of E&A tourism. Typical activities of E & A tourism enable tourists getting wet, getting higher, getting faster. It is possible to offer just one experience or a combination of more ones. This form of tourism demands special interest, practices and skills.

Destination offering E&A products should be aware of principles of successful E&A products:

- “real“ experience or adventure is a must
- experiences or adventures should be a kind, visitors will be ready to try and experience
- visitors should be ready to pay for E&A

⁴² Slowdown in Tourism Growth Reflects Current Uncertainties. Downloaded from: <http://www.eturbonews.com/6115/slowdown-tourism-growth-reflects-current-uncertainties> (last accessed May 21, 2010)

- experience of E&A should be transferable (it should not be „just mine“)
- E&A should be prepared according individual needs of visitors
- E & A products should be prepared for visitors with different level of ability
- Integral part of an E&A product is:
 - safety;
 - training;
 - accomplished legal requirements;
 - insurance;
 - accomplished local requirements.

Story presentation is an important part of destination marketing. All experiences offered to visitors must be based on a story which will allow to visitors emotionally identify themselves with a storyline. It is important to create a continuous story to make the experience impressive. An authentic and trustworthy story is a good reason why to experience it. A good story consists from facts and fictions, old legends and myths and must be conceived in believable way. The story enables to visitor to live through the experience on physical, rational, emotional, and mental level and remember it for a long time (and provide word-of-mouth advertisement when arrived home).

2.6 Marketing Communication Innovation

- E-campaigns.
- Geocaching.

Based on the tremendous success of Queensland, Australia and the campaign “The best job in the world”, many destinations try to emulate it. Above all user’s generated videos are more and more popular. This trend is supported by popularity of social networks and Web 2.0 platform which enables to utilize them as a marketing tool also in tourism.

Facebook is the second most popular web site on the world and YouTube the fourth. The international financial crisis cut the advertisement budgets of companies and so that the destination management companies are pushed to find out new, creative and less financially demanding ways of promotion. The campaign of Tourism Queensland agency generated a global publicity worth 70 million USD and cost 1 million USD.

How Does This Work? The campaign fall into following steps:

- Users are asked to send their videos to the contest web page, so that they can win their holidays dream in the TV reality show.

- It is expected that after his/her return home the lucky winner will share his/her experiences and adventures on Facebook, Twitter, YouTube, Flickr and blogs and will act as an ambassador of the visited destination.
- The destination by offering the dream holidays expects attention, media publicity and energizing of its positive image.

Maybe e-tourism campaign looks easy but for a successful campaign the destination should have:

- enough sources for planning, production and promotion;
- support of on-line and off-line advertising, commercials and a strong PR;
- innovative and creative experts with deep understanding of social networks able to prepare web-pages.

Geocaching is a high-tech treasure hunting game played throughout the world by adventure seekers equipped with GPS devices. The basic idea is to locate hidden containers, called geocaches, outdoors and then share your experiences online. Geocaching is enjoyed by people from all age groups, with a strong sense of community and support for the environment. Geocaches stashed within the destination brings the destination to the world wide shared web pages of geocachers and will motivate them to visit the destination.

Good example of implementing geocaching into a tourism strategy is a service offered in the destination Štrbské Pleso in the High Tatra Mountains, in Slovakia, where tourists can rent a GPS navigation system. Development of the first educational geocaching circuit is a part of this strategy. The circuit can be used by the beginner hobbyists to learn the basic rules of geocaching, to work with GPS navigation, and they can here find their first caches and learn interesting information not only on Štrbské Pleso itself but also about fauna and flora of the High Tatras National Park.⁴³

2.7 Visitor Loyalty

In today hard times it is more than ever important to develop and keep visitors loyalty. Visitor loyalty means that the visitor will come back to the destination. Loyal visitors are not only ready to spend more money in a destination they are also the best advertisements for the destination at the

⁴³ Chcete vyzkoušet geocaching? Optimálně teď na Štrbském plese. Downloaded from:

<http://www.e-slovensko.cz/novinky/598/chcete-vyzkouset-geocaching-optimalne-ted-na-strbskem-plese> (last accessed July 12, 2010)

same time. All loyalty programs are based on idea of special values offered to frequent buyers.

The following differences in visitor's behavior based on frequency of their visits to destination can be observed:

- First time visitors are interested in the whole offer of the destination, they are involved in more activities, visit more places and are generally more active as the frequent visitors.
- Frequent visitors are more interested in social experiences, entertainment, shopping and catering services.
- Visitors who stay in a destination use it often as a base for their trips to surroundings.
- Visitors coming to destination to visit their relatives spend more time with family and friends and do not organize lots of trips

The first step to win visitors loyalty is to like them. People like people, who like them.

The second step is offering lure so typical for air companies and hotels where the best guests are awarded by special services and privileges, they get presents for free, etc.

Nothing can satisfy visitors as good as quality services for good price do accompanied by unique experiences. Most visitors do not want to visit universal destinations they want unique and incomparable destinations.

Visitors are loyal to destinations that communicate with them – newsletters, cards, emails with offers, phone call, birthday wishes, birthday discounts are good opportunities for communication and getting feedback from visitors.

2.8 People

Tourism services are personal services thus very labor-intensive. Human resources required to serve the needs of a tourism destination are particularly diverse. Destinations should pay attention on developing the human resources as they are integral part of providing services and so that the major keys to visitors' satisfaction and so that to international competitiveness.

People are critical assets within the destination for sustaining and enhancing competitiveness and quality. Consequently, when it comes to positioning the destination within the international market, the starting point is to invest in people. The involvement of the training and education sectors to this process is vital.

Destinations should motivate people in tourism industry to do the right things. In times of economic crisis the management of destination should

show to its employees that they care of them. Employees are in the first line and managers should act with them with respect.

Summary

Tourism is an economic activity capable of generating growth and employment, while contributing to development and economic and social integration. With some 1.8 million businesses, primarily SMEs, employing approximately 5.2 % of the total workforce (approximately 9.7 million jobs, with a significant proportion of young people), the European tourism industry generates over 5 % of EU GDP, a figure which is steadily rising.⁴⁴ Tourism therefore represents the third largest socioeconomic activity in the EU after the trade and distribution and construction sectors. Taking into account the sectors linked to it, tourism's contribution to GDP is even greater; it is estimated to generate over 10 % of the European Union's GDP and provide approximately 12 % of all jobs. In this regard, observing the trend over the last ten years, growth in employment in the tourism sector has almost always been more pronounced than in the rest of the economy.⁴⁵

The European Union is still the world's No 1 tourist destination, with 370 million international tourist arrivals in 2008, or 40 % of arrivals around the world.⁴⁶ These arrivals generated revenues of around EUR 266 billion, 75 billion of which was from tourists coming from outside the Union.⁴⁷ As regards journeys by Europeans themselves, they are estimated at approximately 1.4 billion, some 90 % of which were within the EU. According to estimates by the World Tourism Organization (WTO),

⁴⁴ Study on the Competitiveness of the EU Tourism Industry. September 2009. Downloaded from:

http://ec.europa.eu/enterprise/newsroom/cf/document.cfm?action=display&doc_id=5257&userservice_id=1&request.id=0 (last accessed May 21, 2010)

⁴⁵ Communication From The Commission To The European Parliament, The Council, The European Economic And Social Committee And The Committee Of The Regions: Europe, The World's No 1 Tourist Destination – A New Political Framework For Tourism In Europe. Com (2010) 352/3, Brussels, July 30, 2010. Downloaded from:

http://Ec.Europa.Eu/Enterprise/Sectors/Tourism/Files/Communications/Communication2010_En.Pdf (last accessed July 2, 2010)

⁴⁶ WTO World Tourism Barometer. Volume 8, January 2010.

⁴⁷ Eurostat. Statistics in Focus. 23/2009 (Balance of payments statistics).

international tourist arrivals in Europe should increase significantly in the coming years.

European tourism has experienced a difficult economic situation, aggravated by the eruption of the Eyjafjöll volcano. While the financial crisis has negative influence on tourism and destinations, competition drives the industry onward. As tourism is widely perceived as a predominantly discretionary expense, tourism professionals often believe that people will stop spending money or will spend less on tourism in times of crisis. With understanding visitor behavior, it is possible to influence their decisions by developing appropriate strategies.

In order to be successfully promoted in the targeted markets, a destination must be favorably differentiated from its competitors. Tourism destination images are important because their influence on decision-making process visitors. A negative image can harm destinations more than ever.

On today's world, competitiveness concept has become even more significant due to the economic downturn and the new visitors trends. The long term success of a destination depends on how competitive they are in the marketplace and how well they are positioned.

Despite the economic meltdown some tourism segments demonstrating unique stability and firmness: domestic tourists; religious tourists; volunteer tourists; gay and lesbian tourists; health and wellbeing (including spa) tourists; trendsetters. To a group of segments which can bring stable profit to the destination belong niche segments as Baby boomers, eco-tourists, rural and agro-tourists, sport spectators and sports participants, culinary tourists, and historic and heritage tourists.

Destinations facing with global competition must offer sustainable and high-quality tourism, playing on their comparative advantages. This requires the destinations to adapt quickly and offer innovated products and promoted them by innovated marketing communication, in order to retain their level of competitiveness. Product innovation includes value tourism, experience and adventure tourism, and in particular story innovations. Destinations' marketing communication should include implementation of new communication aspects and information technologies, e. g. e-campaigns, geocaching.

In times of crisis it is more than ever important to develop and keep visitors loyalty. Loyal visitors will come back to the destination, are ready to spend more money and are the best advertisements for the destination.

Tourism services are labor-intensive. Destinations should pay attention on developing the human resources as they are integral part of services and so that the major keys to visitors' satisfaction and destination competitiveness.

Tourism destinations need a new impetus. Facing with challenges of the economic crisis concrete responses and efforts must be adapted. Activities presented in this paper could be inspirational for destination management organizations and help them to overcome the hard times.

Bibliography

1. Andersen V., Prentice, R., Guering, S.: *Imagery of Denmark Among Visitors to Danish Fine Arts Exhibition in Scotland*. Tourism Management, Vol.18, No.7/1997, pp. 453-464.
2. Baloglu, S., Brinberg, D.: *Affective Images of Tourism Destinations*. Journal of Travel Research, 35(4) 1997, pp. 11-15;
3. *Birmingham Voted Most Boring and Ugly City in Europe*. Travel News, July 13, 2010. Downloaded from: <http://www.easydestination.net/blog/?itemid=818> (last accessed July 19, 2010)
4. Brent, R. & Crouch, I.(2003). *The Competitive Destination. A sustainable tourism perspective*. United Kingdom: CABI publishing.
5. Buhalis, D.: *Marketing the Competitive Destination of the Future*. In: Tourism Management 21, Elsevier 2000, p. 98
6. Calantone, R.J., di Benetto, C.A., Hakam, A., Bojanic, D.C.: *Multiple Multinational Tourism Positioning Using Correspondence Analysis*. Journal of Travel Research, 28(2)1989, pp.25-32.
7. Cater, C. I.: *Steps to Space; Opportunities for Astrotourism*. In: Tourism Management 2009 pp. 1–8
8. *Chcete vyzkoušet geocaching? Optimálně teď na Štrbském plesu*. Downloaded from: <http://www.e-slovensko.cz/novinky/598/chcete-vyzkouse-geocaching-optimalne-ted-na-strbskem-plese> (last accessed July 19, 2010)
9. Chon, K. S.: *Tourism Destination Image Modification Process: Marketing implications*. Tourism Management, 12(1) 1991, pp. 68-72;
10. Chon, K. S.: *Self-Image/Destination Image Congruity*. Annals of Tourism Research, 19(2) 1992, pp. 360-363.
11. *Communication From The Commission To The European Parliament, The Council, The European Economic And Social Committee And The Committee Of The Regions: Europe, The World's No 1 Tourist Destination – A New Political Framework For Tourism In Europe*. Com (2010) 352/3, Brussels, July 30, 2010. Downloaded from: http://Ec.Europa.Eu/Enterprise/Sectors/Tourism/Files/Communications/Communication2010_En.Pdf (last accessed July 2, 2010)

12. Cooper, Ch.; Fletcher, J.; Fyall, A.; Gilbert, D., Wanhill, S.: *Tourism: Principles and Practice*. 3rd edition. Pearson Education Limited, Essex 2005, p. 743, ISBN 9780273684060
13. Crompton, J. L.: *An Assessment of the Image of Mexico as a Vacation Destination and the Influence of Geographical Location Upon That Image*. Journal of Travel Research 17(4)/1979
14. Crouch, G. I., Ritchie, J. R. B.: *The Competitive Destination: A sustainable Tourism Perspective*. CABI Publishing, Oxfordshire, UK 2003 Davidson, R., & Maitland, R.: *Tourism Destinations*. London: Hodder & Stoughton 1997
15. Crouch, G. I.; Devinney, T. M.; Louviere, J. J.; Islam, T.: *Modeling Consumer Choice Behavior in Space Tourism*. In Tourism Management 30/ 2009 pp. 441–454;
16. DiMingo, F. (1988). *The Fine Art of Positioning*. The Journal of Business Strategy, March/April, pp. 34-38.
17. Dwyer, M. R., Zelko, L.L.: *Competitiveness of Australia as a tourist destination*. In: Journal of Hospitality and Tourism Management, January 1, 2003. Downloaded from: <http://www.allbusiness.com/accommodation-food-services/accommodation/472199-1.html> (last accessed May 21, 2010)
18. *eTourism Trend Watch: Destination Marketing Via User Generated Video*. Downloaded from: http://www.eketter.com/index_files/E_Tourism.htm (last accessed May 21, 2010)
19. Eurostat. *Statistics in Focus*. 23/2009
20. *EU Tourism Policy*. In: *Research EU Focus*. CORDIS, Unit Office for Official Publications of the European Communities. European Communities, 2008. Downloaded from: ftp://ftp.cordis.europa.eu/pub/news/research-eu/docs/research-focus_01.pdf (last accessed June 4, 2010)
21. Gartner, W. C.: *Image Formation Process*. In: Communication and Channel Systems in Tourism Marketing. Uysal, M., Fesenmaier, D. R. eds., pp. 191-215. New York: Haworth Press 1993
22. Gruescu, R.: *International Tourism, Economical and Social Aspects*. Sitech Publishing House, Craiova 2007
23. Hall, C. M.: *Tourism Planning: Policies, Processes, Relationships*. UK: Prentice Hall 2000
24. Holloway, J. Ch.: *The Business of Tourism*. 7th edition. Pearson Education Limited, Essex 2006, p. 70, ISBN 0-27-370161-4
25. Hueneker, K., (2009): *What Are Future Destinations if the Exhausted Ones on Earth Cannot Meet the Tourists' Need of Their Constant Search for Novelty Anymore?* Downloaded from: <http://www.tourism-master.nl/2009/10/25/what-are-future-destinations-if-the-exhausted-ones-on-earth-cannot-meet-the-tourists%E2%80%99-need-of-their-constant-search-for-novelty-anymore/> (last accessed May 21, 2010)
26. Jenkins, O. H.: *Understanding and Measuring Tourists Destination Images*. International Journal of Tourism Research, 1/1999

27. Jones, E. & Haven-Tang, C.: *Tourism SMEs, Service Quality and Destination Competitiveness*. Kingdom: CABI publishing, 2005, ISBN-13: 9780851990118
28. Ketter, E.: Marketing in times of financial crisis: Tourism recovery strategies for turbulent times Downloaded from: <http://www.eturbonews.com/9594/marketing-times-financial-crisis-tourism-recovery-strategies-turb> (last accessed May 21, 2010)
29. Konecnik, M.: *Evaluating Slovenia's Image as a Tourism Destination: A Self Analysis Process Towards Building a Destination Brand*. Journal of Brand Management, 11/2004
30. Leiper, N.: *Tourism Management*. Melbourne: RMIT Press 1995
31. *Marketing in Times of Financial Crisis: Tourism Recovery Strategies for Turbulent Times*. Downloaded from: http://www.eketter.com/index_files/Tourism_Recovery_Strategies.htm (last accessed May 21, 2010)
32. Maslow, A.: *Motivation and Personality*. Harper and Row New York, New York 1954 Ryan, C.: *Tourism and Marketing - A Symbiotic Relationship*. Tourism Management, 12(2) 1991, pp. 101-111
33. Moskowitz, C.: *Billionaire Clown Lands after Space Mission*. Space.com. Downloaded from: <http://www.space.com/missionlaunches/091010-exp20-landing-wrap.html> (accessed May 21, 200)
34. Moskowitz, C.: *Circus Billionaire Says Space Trip Worth Every Penny*. 06th October 2009. Downloaded from: <http://www.space.com/missionlaunches/091006-space-clown-settles.html> (last accessed May 21, 2010);
35. *Overall in Europe, International Tourist Arrivals Fell by approximately 5.6 % in 2009, Although Some Regions, Especially in Eastern or Northern Europe, recorded a Fall of up to 8 %*. WTO World Tourism Barometer. Volume 8, January 2010
36. Péloquin, C.: *Are Senior Travelers Really so Different?* Downloaded from: <http://tourismintelligence.ca/2005/05/22/are-senior-travellers-really-so-different/?tagged=> (last accessed 7 March 2010)
37. Ross, K.: *Health Tourism: An overview*. In: HSMAI Marketing Review December 2001. Downloaded from: www.hospitality.net.org; Verschuren, F.: *Spa, Health and Wellness Tourism: A New Product Portfolio at the Canadian Tourism Commission*. CTC 2004, p. 5.
38. *Rural Inns a Great Choice for Those Looking for Agro-Tourism in Saudi Arabia*. Downloaded from: <http://www.eturbonews.com/11653/rural-inns-great-choice-those-looking-agro-tourism-saudi-arabia> (last accessed May 21, 2010)
39. Santoscay, C.: *Amid Economic Crisis, Cities Look To Gay Tourism*. Downloaded from: <http://www.ontopmag.com/article.aspx?id=3615&MediaType=1&Category=9>

40. SCHENSUL, J.: *TEN TRAVEL TRENDS FOR 2010*. DOWNLOADED FROM: <http://www.eturbonews.com/13595/ten-travel-trends-2010> (last accessed May 21, 2010)
41. Son, A.: *The Measurement of Tourist Destination Image: Applying a Sketch Map Technique*. International Journal of Tourism Research 7/2005, pp. 279–294.
42. *Slowdown in Tourism Growth Reflects Current Uncertainties*. Downloaded from: <http://www.eturbonews.com/6115/slowdown-tourism-growth-reflects-current-uncertainties> (last accessed May 21, 2010)
43. Sonmez S., Sirkaya,E.: *A Distorted Destination Image? The Case of Turkey*. Journal of Travel Research, Vol. 41, No.2/2002, pp. 185-196.
44. Spears, R. A.: *Dictionary of American Slang and Colloquial Expressions*. Fourth Edition. Published by McGraw Hill
45. *Study on the Competitiveness of the EU Tourism Industry*. September 2009. Downloaded from: http://ec.europa.eu/enterprise/newsroom/cf/document.cfm?action=display&doc_id=5257&userservice_id=1&request.id=0 (last accessed May 21, 2010)
46. Tarlow, P.: *The Role of Tourism Security in Economically Challenging Times*. Downloaded from: <http://www.eturbonews.com/12905/role-tourism-security-economically-challenging-times> (last accessed May 21, 2010)
47. Tarlow, P.: *Sports Tourism is a Hot Commodity*. Downloaded from: <http://www.eturbonews.com/16417/sports-tourism-hot-commodity> (last accessed July 19, 2010)
48. *The American Heritage Dictionary of the English Language*. Fourth Edition Copyright 2009 by Houghton Mifflin Company. Published by Houghton Mifflin Company
49. *The Madrid Declaration: „Towards a Socially Responsible Tourism Model”*. In: Informal Ministerial Meeting for Tourism under the Spanish Presidency. Madrid, April 2010. Downloaded from: http://ec.europa.eu/enterprise/sectors/tourism/files/madrid_stakeholders_conference/declaration_madrid_en.pdf (last accessed June 4, 2010)
50. *Tourism Marketing in Crisis*. Downloaded from: <http://www.hospitalitynet.org/news/4043662.search?query=tourism+marketing+in+crisis>(last accessed May 21, 2010)
51. *Treaty of Lisbon Amending the Treaty on European Union and the Treaty Establishing the European Community*. In: Official Journal of the European Union. C 306/1, Volume 50, ISSN 17252423. Downloaded from: <http://eur-lex.europa.eu/JOHtml.do?uri=OJ:C:2007:306:SOM:EN:HTML> (last accessed June 4, 2010)
52. *UNWTO: Increasing Confidence in 2010 Recovery for the Tourism Sector*. Downloaded from: <http://www.hospitalitynet.org/news/4043662.search?query=tourism+marketing+in+crisis/> (last accessed May 21, 2010)
53. *WTO World Tourism Barometer*. Volume 8, January 2010.

54. *World Tourism to Rebound from Crisis in 2010*. UNWTO. Downloaded from: <http://economictimes.indiatimes.com/news/international-business/World-tourism-to-rebound-from-crisis-in-2010-UNWTO/articleshow/5473569.cms> (last accessed May 21, 2010)
55. Walmsley, D. J., Jenkins, J. M.: *Appraisive Images of Tourist Areas: Application of Personal Construct*. Australian Geographer 24(2)/1993, pp. 1±13.
56. Watkins, S., Hassanien, A., Dale, C.: *Exploring the Image of the Black Country as a Tourist Destination*. Palgrave Macmillan Ltd 1744-0696, Vol. 2, 4/2006, pp.321–333.
57. *What Are the Priorities when it Comes to Destination Competitiveness?* Downloaded from: <http://www.eturbonews.com/13595/ten-travel-trends-2010> (last accessed May 21, 2010)

Contact

doc. Ing. Alžbeta Királ'ová, PhD.
University of Business in Prague
Spálená 14, 110 00 Praha 1, Czech Republic
E-mail: alzbeta.kiralova@vso-praha.eu

Key Aspects of Doing Business in Mountain Hotels

Ljiljana Kosar – Đorđe Čomić – Slavoljub Vicić
The College of Hotel Management, Belgrade, Serbia

Abstract

Mountain hotels belong to a special type of accommodation. Their location is the basic characteristics that distinguished them of other properties. The characteristics of mountain hotels affect the overall attractiveness of mountain tourist destination. The beginning of mountain tourism development was largely relied on the natural attractions of mountain regions. Due to increased demand for winter sports and recreational activities, hotels are often built spontaneously. Uncontrolled construction and mass tourist exploitation disarrange the ecological balance of mountain area and violate their primary attraction. The introduction of ecological standards for these facilities becomes imperative. On the other hand, the demands of modern tourists are changing. This obliges mountain hotels to introduce new decor design, to restructure their supply and to reorganize their services. The process of supply innovation in mountain tourist destinations is based on the diversity and the quality of services in mountain hotels.

Key words

mountain hotels, doing business, basic features, quality, service

Introduction

Mountains are natural tourist resources. Transformation of mountains to tourist attractions makes the construction of infrastructure network and lodging, F & B, and similar facilities. Hotel industry is the material base of mountain tourism. However, the development of hotel industry can impair the natural value of mountains. Uncontrolled hotel construction on the mountains has bad influence on their attractiveness. Uncontrolled hotel construction on the mountains threatens ecological balance of the environment. Inappropriate hotel architecture violates environment aesthetic. Inaccessible locations of the mountain hotels reduce their market positions. The use of inadequate building materials causes problems with heating the hotel. Weather disasters are common in the mountains. When the weather is bad guests stay in hotel, and they need to be offered by a variety of cultural, entertainment and recreational

facilities. In general, mountain hotel business is characterized by special features.

Location and architecture of the mountain hotels

Mountain hotels are characterized by specific locations:

- the winter tourist centers and in the other climate resorts,
- near the places of departure ropeway or on the trails,
- the areas with beautiful view of the environment.

The location of a mountain hotel should be carefully selected. It is better to locate the hotel on the lower altitude. Mountain hotels ought to be located on stable ground, in the area that is protected from avalanches, landslides, snowdrifts, etc. The selection of sites should take into account the immediate environment microclimate. The best hotel locations are in the lee and on the sunny places. Easy accessibility of mountain hotel is an important competitive advantage. Also, the proximity of the ski trails and lift increase the value of the mountain hotel location. However, the market is looking for more exclusive locations of the mountain hotels. Modern building technology of the hotel, including the accompanying infrastructure, overpowers height barriers. The mountain hotels are often built on the altitudes over than 1,000 m. But, we can also see the examples of hotels situated on the altitudes over 2,000 m.

Europe's highest mountain hotel is located in the Italian Alps, on the altitude of 2,880 m. The Swiss resort of Zermatt is crammed full of swish hotels with spectacular views but few have such a privileged location as the Riffelalp. This very traditional five-star property has recently rebranded itself as the Riffelalp Resort 2,222 m to cash in on its lofty altitude. Many Zermatt skiers know it as a prime spot for a sunny lunch but those wanting high mountain seclusion stay here overnight too. The hotel, which has unobstructed views of the Matterhorn from most rooms, is linked to Zermatt village by the Gornergrat railway, which runs through the night. Hochgurgl is actually the highest part of Austria's Obergurgl ski region, one of the country's most snowsure resorts. Hochgurgl sits on the sunny side of the mountains and the Top Hotel Hochgurgl, on the altitude of 2,150 m, has one of the best locations in town, with great views of the Tyrolean Alps and down the Ötztal valley. Like many of Austria's best hotels, it has been family run – by the Scheibers – for decades. The Hospiz hotel is located on the altitude of 1,800 m, in the Arlberg region of Austria. This former monastery and chapel was built to provide refuge for travelers through the Arlberg region of Austria - most

famous these days for ski resorts like St Anton and Lech. It burned down and was rebuilt in the late 1950s as a luxury hotel.

The architecture of mountain hotels should be based on the traditional style of building. The fashion of the hotel should be inserted in the environment. Environmentally acceptable construction materials should be used. The natural materials such as wood have the advantage. Wooden surfaces on the front mountain hotel achieved the positive aesthetic effects. Hip roofs of the hotels are required to prevent the retention of snow.

Location and architecture of the hotel affect on the tourist physiognomy of the mountain resorts. Concentrated type of construction brings together a number of hotels on the relatively small distance. Hotels can be of different capacities, with larger or smaller number of floors. From the technological, environmental and landscape aspect of the mountain hotel, it is more favorable to have less floors. However, it is economically rational to build hotels with more floors.

The core of the mountain tourist center is usually located at the lower altitude. Different extra features that supplement hotel offer are concentrated within the tourist center. Mountain tourist center ought to be connected to the ski resort by vertical transport. The connection with hotels that are distant from the tourist center can be achieved by vertical transport. Concentrated type of mountain resorts construction is more acceptable in the economic and environmental sense. This style is characterized for average physiognomy of the mountain tourist resorts. Competition on the mountain tourist market imposes new demands. Exclusive locations of hotels on the high altitudes are now required. Isolated hotels provide guests the unique experience of the close contact with wild mountain nature. Architecture and equipment of isolated hotels has to meet high standards of security. It is also necessary to meet the environmental standards. Access to isolated mountain hotels can be made only by vertical transport. This means that the use of motor vehicles in the nearest environment of the hotel can be prohibited. This is a way to eliminate air pollution and noise and to increase the tourist attraction of these sites.

Specialization of the mountain accommodation

A winter ski resort offers a ski area and all necessary facilities to make it a destination resort. Facilities include accommodation and all other vital requirements; these facilities are located close to the ski area.

Winter resorts might have a variety of accommodation options like quaint bed and breakfasts, condominiums, private homes, five-star mega-hotels,

historic lodges, timeshare rentals, dorm-like hostels, etc. Large families will prefer condominium options or connecting rooms. Room service or even cooking facilities can be looked for. Many ski resorts offer accommodation over the ski slopes itself. These accommodations usually have ski-in and ski-out options so that people can ski up to the doorstep of their respective accommodations. Winter ski resorts also offer sports activities like sledding, ice-skating, dog sledding, indoor outdoor swimming, snowmobiling, etc apart from skiing. Some ski resorts are equipped with entertainment activities like cinema halls, cabarets, theater and clubs.

Bed and Breakfast type of accommodation is frequent in the mountain tourism. "The Bed and Breakfast Experience" is the term sometimes used to describe the differences offered by bed and breakfasts compared to hotels. Instead of staying in a predictable hotel guests will experience individual charm and individual attention. At a bed and breakfast guests will enjoy hotel amenities with added personal touches.

Bed and Breakfast accommodation provides good value for money since a full breakfast is included in the rate. Further, guests will often receive free parking, free movies and free local telephone calls.

The specialization also refers to the interior space of the mountain hotel. Rooms should be spacious. Room equipment should be adapted to the needs of guests. It is necessary to provide enough cuddly space for luggage and clothes saving. There are more features in a hotel room. In addition to sleep, the guests need a place for rest and leisure. Rooms should have good exposure and a beautiful view of the mountain landscape. If the rooms are on the sunny side, they should have the balconies as the special advantage.

Mountain hotels have social space for guests. These areas are equipped with special amenities - TV, video, games, etc. An important element of the equipment can be a fireplace, which symbolizes a mountain way of life. The evening socializing with fireplace is very attractive for guests. A special kind of room in the mountain hotels is greenhouse, often equipped with the bars or confectionery. Guests like to be here enjoying in the mountain landscape and in the view of the ski area. Indoor swimming pools in the mountain hotels should be located on the sunny sides. Glass leak sun rays. That causes very pleasant effects with enjoying the mountain landscape during the stay in the swimming pool. The space for saving ski equipment of the guests is provided in the mountain hotels. There are often offices for service and rental ski equipment.

Mountain hotels ought to have enough space for the storage life of foods and other materials. Long-term fall of snow can make difficulties in transport

to the hotel and supply the necessary goods. Therefore, there is a need to provide the sufficient quantity of the materials on time and also to provide its adequate storage.

Service organization in the mountain hotels

Quality of service in the mountain hotel is a complex category. Hotel special purpose space with specialized equipment is the material base for the provision of services. Hygiene in the hotel rooms must be at the highest level. Organization of food and beverage service must be adapted to the needs of guests. This means a wide selection of dishes that are serving at the time that corresponds to the guests. These are the morning and early evening hours. Half board based on the breakfast and the dinner is suitable for mountain hotel guests, as the rest of the day is spent mostly on the snow. The late afternoon and evening, the guests usually spend at the hotel. Therefore, it is necessary to provide appropriate programs animation. These programs should be adapted to the interests of guests. Special attention in the provision of hotel, sports and recreational and entertainment services should be paid to families with children. Therefore, in the mountain hotels ski school is often organized.

Service chain in the mountain hotels should be ensured by good organization and management. This means the connection between business processes and uniform quality of service. From the guests point of view the service chain is the value chain. Stay in a remote mountain resort surrounded with a bit wild nature is different from everyday life in urban centers. Therefore, the mountain hotel should be an oasis of peace and security for guests. This means the highest level of service, guaranteed quality based on previously established standards.

Fulfillment of high demands in the mountain hotel business is possible with the appropriate human resources. Provision of professional and educated staff can be a problem for mountain hotels. Mountain tourist resorts are usually dislocated from the settlements. Therefore, suitable accommodation for the staff should be provided in the tourist center. Employed staff is separated from the family during the work. Therefore, it is desirable to be young people without family obligations. However, the staff is in some sense in isolation from their own everyday life. This can affect the quality of their work. Therefore, it is necessary to introduce appropriate motivational programs for employees. It is also necessary to implement a continuous training. It is important to train staff to communicate with guests. Stay in the mountains creates a need for protection and the company. The realization of that social

and psychological guests' need can be provided by professional and friendly staff with good communicational skills.

A review of the mountain tourism in Serbia

Serbia has an image problem. A negative international image has driven away visitors. Emerging from a decade of wars and economic sanctions, Serbia's image abroad is one of potentially dangerous place. Reduced trade and investment, in part due to Serbia's negative image, has resulted in low wages and high unemployment. If Serbia is to realize its potential as a travel destination and to integrate effectively with European markets, it must shake off this bad image. In reality, Serbia is stable, safe, and thoroughly enjoyable place to visit. Balkan hospitality is legendary. Whereas many destinations in Europe tolerate visitors, Serbia still celebrates them. Most visitors expect nothing and are wonderfully surprised to have a great time.

Serbia's mountains are its wealth and its beauty. The joint characteristics of most of its mountains are the vast areas under coniferous and deciduous forests, pastures and meadows, a moderate altitude and very agreeable climate both summer and winter vacations, sports activities and rehabilitation. Kopaonik, Tara, Šar Mountain and Fruška Gora have been proclaimed national parks, thanks to their exceptional beauty. The most developed mountain tourist centre is Kopaonik, 2,017 m above sea level, a well known winter sport resort. Kopaonik is a mountain giant, about 120 km long and 50 km wide. With a twenty year long tradition its ski centre has become established in Europe. It is convenient to all categories of skiers. Kopaonik is not only attractive in the winter, but also a summer tourist centre. Zlatibor is a traditional health, recreational and vocation resort. The Zlatibor plateau is a climatic resort, and thanks to the modern recreational and preventative programs it has become popular among the all categories of tourists. But, there are the other mountains resorts offering the facilities for tourism.

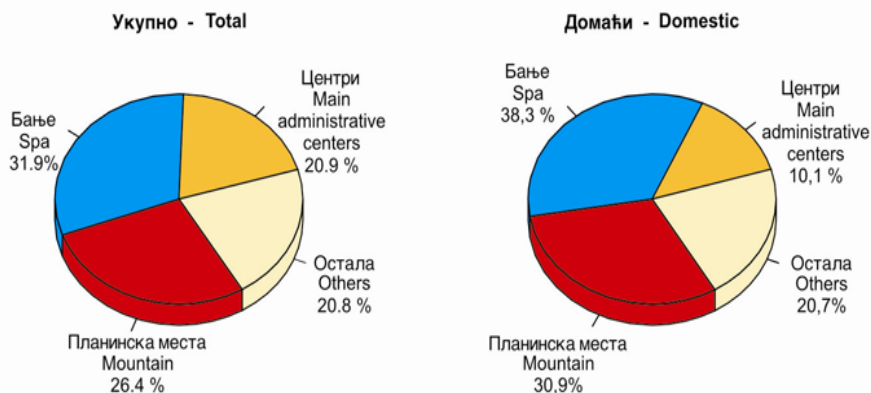
In Serbia, the mountain tourism is in the process of development. The mountain tourist resorts still don't have adequate material basis. Different types of accommodation are built dynamically, mostly small family hotels, apartments and boarding houses. Development strategy of mountain tourism in Serbia requires compliance with standards related to planning and environmental protection area. It is a process which is consistent with the implementation of the required strong support of state authorities.

According to the data for 2007 in Serbia were 45,009 rooms in all types of accommodation. Total number of rooms in the mountain resorts was 7778 or 17.28%. The participation of the mountain resorts in the total number of hotel

rooms in Serbia was 16.5%. Some kinds of accommodations such as apartment hotels, apartment settlements and tourist settlements are typical for the mountain resorts of Serbia. Therefore, the overall accommodation capacity of Serbian mountain resorts is not enough, according to the demand.

The following image shows the distribution of tourist nights by type of tourist resorts in Serbia.

Fig. 1: Tourist' nights by type of tourist resorts, 2007



Source: *Statistical yearbook of serbia 2008, tourism*, p. 318

The participation of the mountain resorts in the total number of tourist nights was significantly greater than in the total number of rooms in Serbia. Those relations confirm the need for building new accommodation capacities in the mountain resorts.

Summary

In the future mountains will be important tourist destinations. Therefore, it is necessary to preserve their natural and ecological value. Doing business in mountain tourist resorts must taking into account the principles of sustainable development. These are specifically the hotels and other accommodation facilities. The form of business success of the mountain hotels should be the optimization of market requirements and the principles of sustainable development. The best solutions for the development of mountain tourism can be found by support of the required state authorities in all countries.

Bibliography

1. Barrow, C. J.: Environmental Management and Development, Routledge, 2005
2. Beniston, M.: Mountain Environments in Changing Climates, Routledge, 1994
3. Holden, A.: Environment and Tourism, Routledge, 2003
4. Kosar, Lj. / Rašeta, S.: Izazovi kvaliteta, VHS, Beograd, 2005
5. Kosar, Lj.: Hotelijerstvo I, VHS, Beograd, 2008
6. Mowforth, M. / Munt, I.: Tourism & Sustainability: Development and Tourism in the Third World, Routledge, 2003
7. Vrdoljak, Šalamon, B.: "Planinski turizam" (Hrvatski turizam- plavo, bijelo, zeleno), Institut za turizam, Zagreb, 2006
8. STATISTICAL YEARBOOK OF SERBIA 2008, TOURISM
9. http://en.wikipedia.org/wiki/Winter_Park_Resort 23.05.09.
10. <http://www.targetwoman.com/articles/winter-resorts.html> 24.05.09.
11. <http://travel.aol.com/travel-ideas/adventure/galleries/extreme-winter-sports> 25.05.09.
12. <http://compete.rs/files/CBriefSerbiaBrand1.doc>
13. <http://www.timesonline.co> 25.05.09.

Contacts

Ljiljana Kosar, PhD, Full Professor
The College of Hotel Management
Belgrade, Serbia
E-mail: ljiljakosar@hotmail.com

Đorđe Čomić, PhD, Full Professor
The College of Hotel Management
Belgrade, Serbia
E-mail: comic_djordje@yahoo.com

Slavoljub Vicic, PhD, Professor
The College of Hotel Management
Belgrade, Serbia
E-mail: info@vhs.edu.rs

Regional Knowledge in Rural Tourism and Agrotourism in Prešov Region

Daniela Matušíková

University of Prešov in Prešov, Faculty of Management

Abstract

The potential in field of tourism is well spread all over Slovakia. What is concerning rural tourism and agrotourism the situation is the same. They are also considered as the ones that are most important and on which the tourism can be built in the future. What we just need is the understanding of the terms and their cognizance as the factor that is still absent. The article deals about the knowledge of the local people in this area and their aim in participation in tourism in rural environment.

Key words

Region, knowledge, rural tourism, agrotourism

Introduction to rural tourism

The development of the tourism industry is an area that is quite fast developing in whole world's economy. Its dynamics shows its importance and points to its offer and high quality services. Tourism has cross-sectional character. (Šenková, 2009) There exist many kind of tourism centred onto various aspects. One of them is the rural tourism and agrotourism.

Rural environment of Slovak republic represents huge potential for the development of rural tourism and agrotourism. Its local conditions in each region haven't been used yet even though their strong possibility for the intensification of regional development.

The beginnings of a significant interest in these kinds of tourism we can find in the 19th century. The recreation and the escape from the towns and cities and their „not healthy” environment has become more and more popular. Among the first the most popular rural tourism destinations we can include especially the Alps and the Canadian mountains. The countries where rural tourism is well developing are mainly: United states of America, Canada, Spain, Denmark, Sweden, Swiss, Norway, Poland, Italy, Ireland and so on.

Rural tourism is a form of recreation located into rural environment, where the services are provided in rural houses, accommodation establishments,

catering establishments, cultural, establishments, sport establishments, recreational establishments and establishments of entertainment.

Another definition of rural tourism defines it as „a form of recreation in rural environment, where the services are provided in rural houses, accommodation establishments, catering establishments, cultural, establishments, sport establishments, recreational establishments and establishments of entertainment connected with nature, recognising, cultural and ethnic heritage regeneration of health and health care”. The difference between them is that agrotourism is a form of recreation with direct connection with farm where the results of agricultural work are evaluated as well as environment, catering services, additional services of the farmer. It can be easily said that means a kind of recreation at concrete farm.

To develop these kinds of tourism there is a need to follow the rural conditions and find the right supporting features that are necessary. Among the most important supporting features of rural tourism for recreation we can add clean environment, lower intensity of occupancy, delimited intensity of agricultural and woodland production, favourable agrarian structure and place worth for relaxation and harmony.

Rural environment in comparing with town environment are completely different. Of course, not both of them offer good conditions for recreation what can be seen on the example below.



The region of Prešov and its potential

The Prešov region as the second largest region on the area of Slovak republic is populated with more than 800,000 inhabitants that makes it, with nearly 15 percent of the whole country's inhabitants, the most populous region in the country. Even those results, this region is still the least developed among the eight of all over the country. „In terms of economic performance and levels of income, the Prešov region lags behind the rest of the country and at present contributes only nine percent to the country's overall gross domestic product (GDP), the lowest of all the country's eight

600

regions. Although the regional GDP is increasing, it is still lower than the EU average. The most important economic sphere in the region, with the largest number of businesses, is that of trade and commerce. The major industries in the region are mostly processing industries, especially food production based on agriculture, clothing, textiles, wood processing and machines, as well as the electro technical, chemical and pharmaceutical industries. Approximately 34% of the economically active population works in industry. Given the great tourist potential of the region, however, there is still a lack of good quality accommodation and catering services here.“(www.po-kraj.sk)

The potential of Prešov region in spite of all the problems that it has is incomparable with the rest of the country. Among the most significant natural beauties belong large mineral reserves, notably rock salt, limestone, building stone, brick-making materials, zeolite and manganese ore and the others. „The natural landscape of the Prešov region is very varied with most of this second largest region in Slovakia being hilly in character. The region is bisected by an important boundary between the Western and Eastern Carpathians.“ (www.po-kraj.sk)

Fig. 1 Protected areas in Prešov region



Source: www.po-kraj.sk

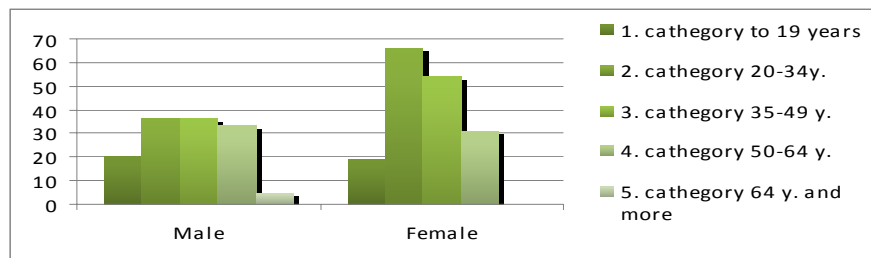
This represents huge potential also for the development of the rural tourism that may later on form a way to support the negative economic status of the region. „Because of its geographical location and conditions, the region has some of the country’s oldest types of settlement, ranging from tiny rural settlements to large towns and cities. There are 666 communities in the region, of which 23 are classed as towns. Nearly 400,000 people, or almost half of the region’s population, live in one of these towns. The region’s oldest

rural community is Žakovce (district of Kežmarok) and dates back to 1209, while the youngest, Lipníky, (district of Prešov) dates back only to 1990.“ (www.po-kraj.sk). The character of the settlements was strongly influenced with the different cultures and époques from the past. The history was connected with the Slavs, Hungarian throne, and Turkish impacts and so on.

Knowledge in rural tourism in regional conditions

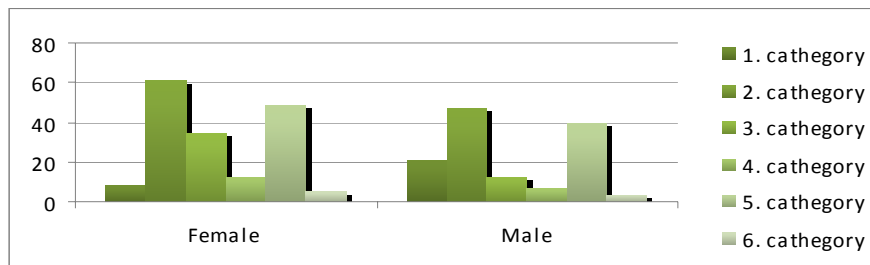
For the purpose to investigate the regional knowledge and build the future aspects in rural development there was created a research. The data collection about the knowledge of the inhabitants was realised in Prešov region in February 2010. The main aim of it was to find out the cognizance of the local people in this kind of tourism industry, which is located into the natural surrounding. The results of the research can be seen on the graphic chart below. The research sample was 300 hundred respondents, from it there were 170 women and 130 men. The age of the corresponding was from 14 to 68 years. The sample was formed by methodology of a quote sample with five bounded quotas (sex, age, permanent residency, educational level and nationality). The method of data collection was a questionnaire filling without the personal assistance. Questioner method was used to inquire the attitude of local inhabitants as a potential subject on tourism in countryside. Each of the respondents was requested personally in mentioned period. Previous participation on rural tourism or agrotourism was not a meaningful condition of asked people. The target of the research was cognitive. For the needs of analysis there were used more statistical programmes. The basic information for the research background were elaborated in programmes MS Office Word a MS Office Excel 2007 and the questionnaire date handled with statistical softwares ©Statistica Cz 7 a SPSS 16.0. From whole research there were chosen only some of the question reflected in the chart of the computation.

Fig. 2 Diagram of the respondents data - Gender versus age



Source: own processing

Fig. 3 Diagram of the respondents data - Gender versus education



Source: *own processing*

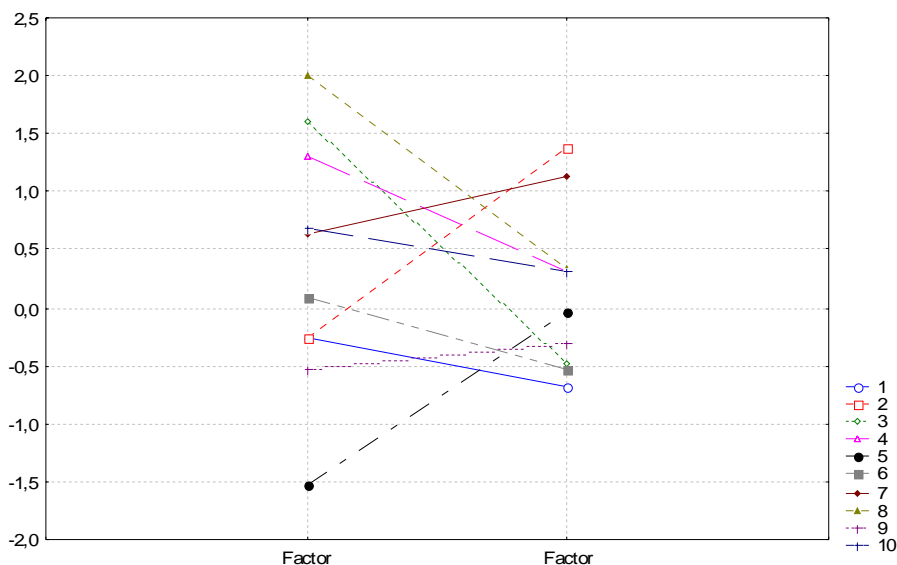
Other results from the rest of the bounded quotas were not graphically mentioned because of their low importance; especially with the connection with nationality where the most appeared was admittedly Slovak.

Table 1. Resultant computation

Question	Factor 1	Factor 2
Have you ever heard about the term rural tourism?	0,8728	0,21302
Have you ever heard about the term agroturism?	0,89035	0,0792
Have you ever experienced rural t. or agrotourism?	-0,0533	0,78234
Can you mention any RT establishment in the region?	-0,1777	0,64283
Present condition offer adequate scale of RT establishments.	0,48486	-0,2146
Is presence on RT financially difficult?	0,11411	0,66878
Is the offer of RT adequately advertised?	0,81709	0,00301

Source: *own processing*

Fig. 4 Alignment chart for 10 chosen respondents



Source: own processing

Results of the proceeding and conclusion

The majority of the respondents think that their cognizance in rural tourism and agrotourism is well. From the questionnaire results the most of people answered that they have already met with the term of rural tourism in first question. The same situation accrued in the second question in connection with agrotourism. These questions consisted of two parts. One was closed question with the options yes or no and the other was opened where respondents had to explain how they understand those terms. Exactly this option showed that even they think that they understand the rural tourism and agrotourism terminology but in practise in the second part they weren't able to explain them. This means that here appears big need to explain to inhabitants the basic facts what they really mean and what is the difference between them and how is it possible to differ it. Especially younger people to 35 years have mentioned that they have already tried this kind of tourism, mainly rural tourism. When asked about concrete establishments only low percentage of respondents could present any offer in the region. That means that in the region absents important advertisement, by which the contribution of tourists on it could be incomparably higher. What's concerning the factors that were appreciable in questionnaire research there occurred two essential factors. The

first one was the age of respondents and the second important was their education.

In general as a result we can say that local inhabitants are very weakly informed. Their knowledge need to be widened. Regional communication that's why should find a solution how to point to significant sources of tourism industry and make its offer well known.

Bibliography

1. FINN,M., ELLIOT-WHITE,M., WALTON,M.: *Tourism & Leisure Research Methods*. Malaysia, Pearson Longman, 2000, ISBN 0-58236871-5
2. kol.: Slovenský zväz vidieckeho turizmu a agroturizmu.: *Vidiecky turizmus a agroturizmus na Slovensku*. Bratislava: Réka, 1993. ISBN 80-88731-02-x
3. Šenková, A.: 2009. *Satelitný účet cestovného ruchu*. In 3rd International PhD. Conference Young Scientists 2009 : proceedings [CD-ROM]. Herľany : Technical University of Košice, Faculty of Economics, 2009. ISBN 978-80-553-0296-6
4. Talarovičová, V. 2010 *Alternative Forms of Tourism*. In: HOTELPLAN 2009 – The Fourth Biennial International Congress Hospitality and Tourism – Holistic Approach. Volume 10. Number 13-14. Year 6. Beograd: The Collage of Hotel Management, 2010. p. 239-246. ISSN 1451-5113
5. <http://www.po-kraj.sk/en/facts/basic-information/economy.html>

Contact

PhDr. Daniela Matušíková
University of Prešov
Faculty of management
Department of Tourism and Hotel management
Konštantínova 16, 080 01 Prešov
E-mail: matusikova@unipo.sk

Passing Financial Crisis Using a Concept of Destination Marketing Management (The Case of Prague)

Monika Palatková

University of Business in Prague

Abstract

The paper is focused on using a destination management concept as a tool for passing financial crisis in a tourist destination. The destination marketing management is proposed as the main stabilizer for the tourist destination Prague. Tourism demand in Prague has been affected by the effects of the global financial crisis and following stagnation acting together with further already existing negative forces. From the long term point of view the very relevant negative force is the absence of the destination management and no marketing strategy in Prague. Although using of the destination management concept can be reduced to the remedy for the demand stabilization today, the advantage of the concept is the mandatory prerequisite for the destination system creation with all its benefits. The destination management concept should strengthen the resistance of the tourist destination primarily in terms of the sustainable growth of the demand.

Key words

destination marketing management, destination management company, financial crisis, Prague, Vienna, public sector, tourism statistics, benchmarking

1. Destination Marketing Management – Conceptual Framework

Destination Marketing Management represents a relatively new concept how to manage the holistic entity such as a tourist destination. The origins of the concept go to the beginning of 90ies, primarily in European (alpine) countries, but also in some overseas destinations (e. g. Canada, Australia, Singapore). The essence of the concept is the management of processes running in a destination. The management is performed with the aim to control tourists and investors demand in the sense of its reduction, increase, different timing or regional distribution. The contemporary trend in destination marketing management is characterized by understanding the destination as a quasi firm (corporation/holding) having its main target in realisation of economical and non-economical effects at the micro- and macro

level. The concept of destination marketing management is derived from the destination tourism policy.

Many professionals from various sectors have been concerned with the different aspects of destination marketing management (e. g. Goodal – Ashworth 1993, Palmer 1997, Bartl – Schmidt 1998, Keller 2000, Pechlaner – Smeral – Matzner 2002, Kiráľová 2003, Luft 2005, Bieger 2005, Palatková 2006).

The regional or local view of destination management [1] fits best to the purpose of this paper. According to Bartl and Schmidt the destination management represents “... the strategy for strong regions having the courage to concentrate their forces for common development, organization, and active selling of their competitive advantages and products. This way gives rise to destinations offering fully organised services chain fitted to the client preferences and options. The services chain covers the information seeking, comfortable booking, smooth stay in a destination, and return home.” [1, s. 2]

Concerning the term a destination there are many various concepts how to define a tourist destination [8, s. 16 - 23]. For the purpose of this paper the destination is defined as a compact geographic place chosen by a visitor as his trip destination. Beside them the destination has to be viewed as a competitive entity operating in the international and domestic markets striving to realise the economical and non-economical benefits.

The concept of the destination marketing management is based on the public private partnership deriving benefits from advantages of both mentioned sectors. The destination marketing management can be considered as a kind of an allowed public support to the tourism sector. The destination marketing management aspires to solve the market failure¹ to a certain degree by an establishment of a destination management/marketing company (DMC) as a public or public-private organisation. Despite the destination management company can be a public company, the destination should be managed as a firm/holding.

The system of the destination marketing management has usually been built as a three (four) level scheme with national, regional (sub-regional) and local levels. Three fundamental topics are essential for a working system:

¹ The most frequent market failures in a tourist destination represent externalities, existence of public goods (pure public goods or mixed public goods), insufficient information volume on the demand and supply sides or poor utilisation of (human) resources.

1. An institutional framework guaranteeing the marketing management at the national, regional (sub-regional) and local niveau.
2. A legislative framework linking the particular institutions and ensuring the marketing management interconnection in horizontal and vertical direction or even its networking.
3. A financial framework based on the legal form of the mentioned institutions and their powers.

Provided the destination management system based on the mentioned three stones is working, a destination can be considered as much more shock-resisting apart from it is an economical or non-economical shock. Whereas destinations without a stable destination management system are exposed to a major risk with consequences in deep and long term drop of demand, redundancies in travel and tourism industry as well as interconnected branches (travel and tourism economy), loss of fiscal revenue in public budgets etc.

An efficient destination management system should cope with all complexity of the tourism sector such as its high volatility of tourism demand depending on the economical and non economical factors or an extensive demand for human resources with high share of part time jobs, jobs for women, young, and less qualified people losing their jobs day-to-day.

Two ways how to make the tourism sector in destination more immune can be put up.

- 1) Establishing a working destination management system ex-ante as the precautionary measure.
- 2) Establishing a working destination management system ex-post as a belated measure discouraging the extension of negative effects at least.

Additionally, the third way can be determined as a laissez-faire policy.

In both cases the destination management development is a challenging and demanding process based on a management of change. The destination management development process should create new opportunities and overcome obstacles whether it is an economical crisis or other negative appearance. Management of change in tourism needs to count on the interdisciplinary and holistic nature of tourism. The drivers and barriers of change have to be discovered at the destination management level.

The paper is focused to the destination level in leisure segment only. Prague was chosen as an eligible example for demonstration of destination vulnerability under the terms of absence of destination management system. The impact of the economical crisis merged with some negative tendencies that already were present before the crisis outbreak and they hit the tourism in

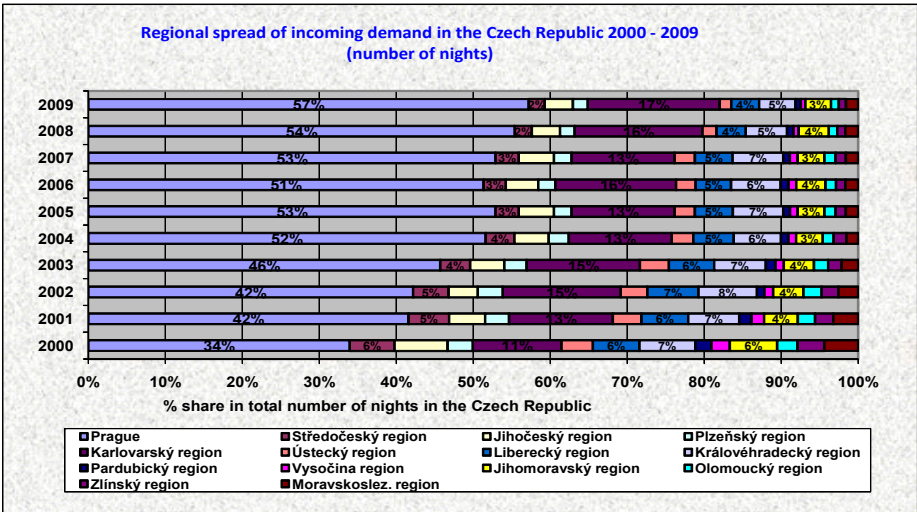
Prague significantly together. The comparison of Prague and Vienna indicates the urgency of destination marketing management in Prague as the way how to overcome the negative impacts.

2. The Impact of Financial Crisis on Tourism in Prague

Prague as the leading incoming destination in the Czech Republic

Prague is the leading incoming tourist destination in the Czech Republic hosting approximately one half of all nights in collective accommodation facilities. The trend clearly shows growing share of Prague measured by incoming nights in absolute and relative figures as projected in the Chart 1 in last ten years. The importance of Prague is even higher with 63 % from the total number of foreign arrivals when measured by number of arrivals to the collective accommodation facilities. With respect to the majority share of Prague, it is obvious that in case the incoming request for Prague falls off the total number of nights in the Czech Republic is affected very strongly. That has been the case of recent demand development in 2008 and 2009 as shown in Table 1. The average number of nights for incoming guests makes 2,67 nights (2009).

Chart 1: Regional spread of incoming demand in the Czech Republic 2000 – 2009 (number of nights)



Source: own chart based on figures published by Czech Statistical Office

In contrast the position of Prague is absolutely different in the domestic tourism. The number of domestic arrivals to Prague collective accommodation

facilities doesn't reach 10 % (0,54 mil.) in arrivals and 6 % (1,06 mil.) in nights of all domestic arrivals in the Czech Republic (2009).² Higher rates for accommodation and other services are not the only reason, but also the fact that Czech people have never been used to travel to city breaks or longer stay into Czech cities and towns. The domestic demand has been predominantly focused on stays in the countryside or in the open air (incl. cottages, chalets or huts). The average number of nights for domestic guests makes 1,98 nights in Prague (2009).

The structure of foreign demand for Prague is shown in the Table 2. The main source markets in the market portfolio of Prague stable in a long term have been Germany, United Kingdom, Italy, Spain, France, USA, Japan for the period 2000 – 2009 as shown in the Chart 2. The main source markets for Prague are almost the same as the main source markets for the Czech Republic. Unfortunately, most of them are countries with economies injured by economical stagnation or recession strongly - West European markets, USA, and Japan.

Financial crisis impact on the foreign demand for Prague

The effects of financial crisis on tourism in Prague are partially demonstrated in Table 1 and in Chart 2. Stagnation of arrivals in 2008 and decrease by 6 percentage points, resp. 8 percentage points measured by number of nights in 2009 can be considered not only as a result of recent economical stagnation, but as a result of general slowdown of foreign demand for Prague in 2005, 2006 and 2007.

² If all types and categories of accommodation facilities have been included, the share of Prague would be probably even lower.

Table 1: Basic indicators of incoming tourism in the Czech Republic and Prague (2000 - 2009)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
BASIC INDICATORS OF INCOMING TOURISM										
Number of tourists in CE * in the Czech Republic (mil. arrivals)	4,87	5,19	4,58	5,08	6,06	6,30	6,43	6,70	6,60	6,00
index	1,00	1,07	0,88	1,11	1,19	1,04	1,02	1,04	0,99	0,91
Number of tourists in CE in Prague (mil. arrivals)	2,32	2,67	2,23	2,65	3,47	3,73	3,7	4,00	4,05	3,81
index	1,00	1,15	0,84	1,19	1,31	1,07	0,99	1,08	1,01	0,94
Number of nights in CE in the Czech Republic (mil. of nights)	15,60	17,25	15,57	16,51	18,98	19,56	20,09	20,61	19,99	17,75
index	1,00	1,11	0,90	1,06	1,15	1,03	1,03	1,03	0,97	0,89
Number of nights in CE in Prague (mil. of nights)	6,38	7,59	6,29	7,55	9,80	10,37	10,32	11,21	11,07	10,15
index	1,00	1,19	0,83	1,20	1,30	1,06	1,00	1,09	0,99	0,92
Total number of incoming visitors in the Czech Republic **	x	x	x	18,6	22,0	22,9	23,2	24,5	21,9	19,6
index	x	x	x	1,00	1,18	1,04	1,01	1,06	0,89	0,89
Total consumption in incoming in the Czech Republic (mld. CZK) **	x	x	x	100	117	121	124	129	127	138
index	x	x	x	1,00	1,17	1,03	1,02	1,04	0,98	1,09
BALANCE OF PAYMENT AND EXCHANGE RATE DEVELOPMENT										
Incoming revenue (mld. USD)	2,9	3,1	2,9	3,6	4,2	4,6	5,0	6,6	7,7	6,5
index	1,00	1,07	0,94	1,24	1,17	1,10	1,09	1,32	1,17	0,84
Share of incoming revenue in GDP (%)	5,8%	5,4%	4,2%	4,2%	3,9%	3,8%	3,5%	3,8%	3,5%	3,4%
Equivalent incoming revenue / export of goods revenue (%)	10,3%	9,3%	7,7%	7,4%	6,9%	5,9%	5,3%	5,4%	5,3%	5,8%
Share of incoming revenue / export of services revenue (%)	43,5%	43,8%	41,7%	46,2%	43,0%	43,0%	37,6%	38,4%	34,7%	32,0%
Exchange rate CZK/EUR	35,6	34,1	30,8	31,8	31,9	29,8	28,3	27,8	24,9	26,4
Exchange rate CZK/USD	38,6	38,0	32,7	28,2	25,7	24,0	22,6	20,3	17,0	19,0

* CE - collective establishment

** 2003 - 2007 - Tourism Satellite Account (Czech Statistical Office), 2008 - 2009 - estimation of STEM MARK

(Study "Příjezdový cestovní ruch 2009 - 2015")

Sources: own chart based on figures published by

1) Česká národní banka - Balance of Payment Statistics. In: http://www.cnb.cz/cs/statistika/platebni_balance_stat/platebni_balance/index.html2) Český statistický úřad. In: http://www.czso.cz/csu/redakce.nsf/i/cru_cr (download 14. 07. 2010)3) Příjezdový cestovní ruch 2009 - 2015 (STEM MARK). In: <http://www.mmr.cz/CMSPages/GetFile.aspx?guid=8a7c0d5c-82f1-431a-acd3-fcbc4eb04f07> (download 13. 07. 2010)

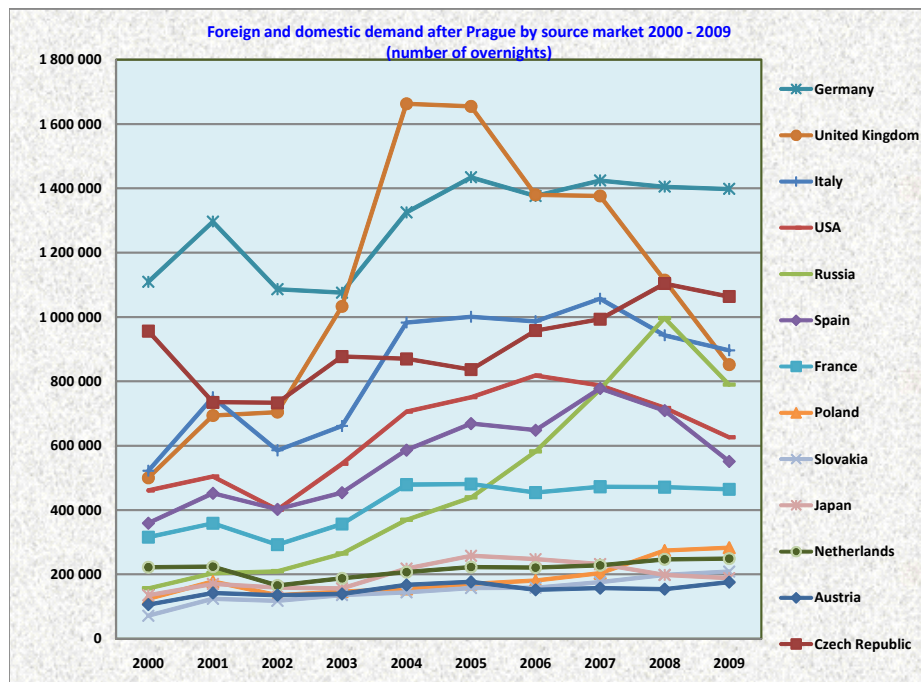
Real origin of this negative trend can be found in 90ies when the tourism demand for Prague rose up spontaneously without any state intervention like regulation, local government support, or any other form. The current situation of tourism in Prague is a logical result of passivity of the local government in Prague, namely the Prague municipality. It seems the promising development of foreign demand for Prague is at the end.

Financial crisis impact on the tourism services supply in Prague

In the Czech Republic, Prague is the destination with widest variety of tourist services provided to incoming visitors. Since figures from wide range of the service sectors like catering, sightseeing, guide services, cultural services, exchange services etc. are not available the main attention is paid to

the accommodation sector.³ 9 % of the total collective accommodation facilities and even 18 % of the total beds in the Czech Republic are located in Prague (2008). Prague also has a very specific position in the segment of hotels ***** and hotels ***** with its share of 82 % and 50 % respectively (2008). [29]

Chart 2: Foreign and domestic demand after Prague by source market 2000 – 2009 (number of overnights)



Sources: own chart based on figures published by Czech Statistical Office

The accommodation sector in Prague has been affected by slowdown of foreign demand quite appreciably in two ways – first, moderate development of a new bed capacity as demonstrated on the Chart 4 and secondly, performance decline in existing capacity.⁴ As a result of diminishing demand a huge cutting of rates esp. in chain hotels could be seen. The price policy of

³ According to the Tourism Satellite Account (Czech Statistical Office) the consumption of incoming visitors in accommodation sector amounts over 20 % of total consumption. [28]

⁴ In period 2004 – 2007 the net use of beds in Prague exceeded 50 % (51,7 – 53,5 %), but in 2008 the net use of beds fell to 49,1 % and in 2008 even worse to 45,1 %. [29]

big transnational companies drew down the hotel market, thus there was no space for smaller accommodation facilities to cut the prices and to compete. Unfortunately, Prague has been perceived as a Central/Eastern European destination and many foreign tour operators have expected rates more moderate than in a “Western” destination such as Vienna. The impacts on hotel market self have been very negative, because the market has been distorted in terms of price/performance ratio, some facilities had to reduce or even close their business, dismiss their employees etc. Many facilities included the domestic and resident markets into their marketing strategies. It was a quite new phenomenon for facilities focused on incoming guests only for long years.

Table 2: Foreign guests in collective accommodation establishments in Prague 2009

PRAGUE 2009	Arrivals (thousands)	% share	Average number of nights	Number of nights (thousands)	% share
TOTAL	3 810	100,0%	2,7	10 150	100,0%
Germany	583	15,3%	2,4	1 398	13,8%
United Kingdom	327	8,6%	2,6	852	8,4%
Italy	303	8,0%	3,0	897	8,8%
USA	236	6,2%	2,7	626	6,2%
Russia	203	5,3%	3,9	790	7,8%
Spain	179	4,7%	3,1	551	5,4%
France	175	4,6%	2,7	465	4,6%
Poland	139	3,6%	2,0	283	2,8%
Slovakia	106	2,8%	2,0	209	2,1%
Japan	92	2,4%	2,0	188	1,9%
Netherlands	91	2,4%	2,7	249	2,4%
Austria	87	2,3%	2,1	176	1,7%
Norway	75	2,0%	3,4	228	2,2%
Denmark	71	1,9%	3,2	227	2,2%
Israel	70	1,9%	3,3	228	2,2%

Source: own chart based on figures published by Czech Statistical Office

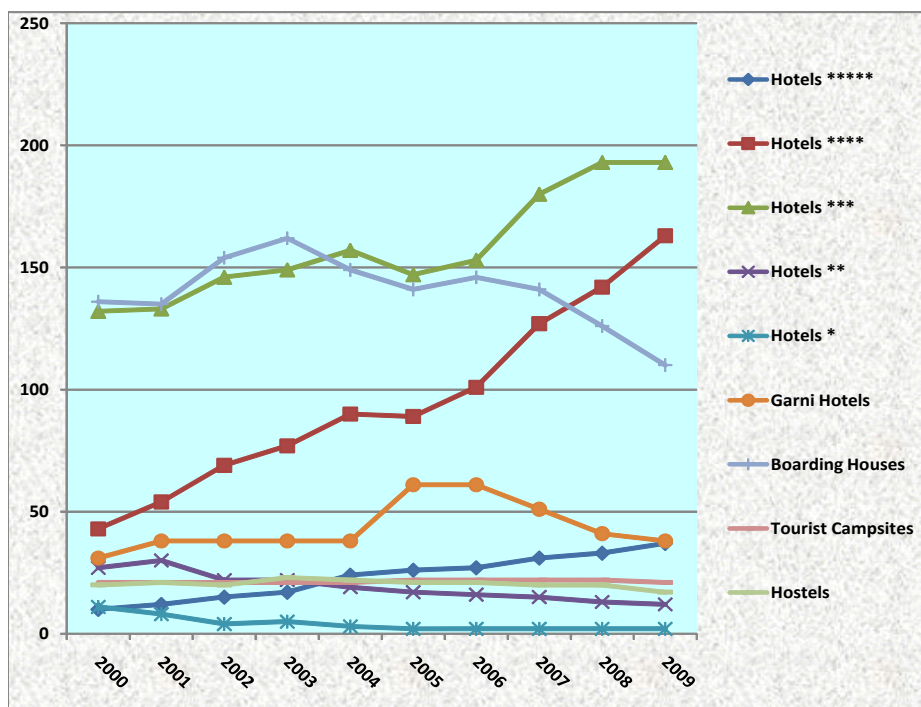
Recapitulation of economic slowdown impacts on tourism in Prague

The negative effects of the financial crisis on the tourism in Prague can be summarized as follows:

1. Deceleration in foreign and domestic demand in collective accommodation facilities in 2008 and 2009 (see the Table 1 and Chart 2).
2. Annual drop off the incoming revenue in the Czech Republic (balance of payment) by 16 percentage points (2009) as demonstrated in Table 1.

3. Downturn in private sector in terms of accommodation, catering, transportation and other services.
4. Cut-down in number of working places in direct and indirect branches.
5. Bankruptcy of many small and medium enterprises in direct and indirect branches or their movement into the “grey economy”.
6. Unquantifiable or hardly quantifiable impacts (e. g. consequences of long term unemployment incl. loss of occupational skills, lower faith of investors and financial institutions in tourism sector, negative anticipation in tourism sector, jeopardized switch-over of the current destination management financing to a more self-financing system with less dependence on subsidies). [8]
7. Loss of competitiveness against competitors as Vienna, Budapest or Berlin.

Chart 4: Development of collective accommodation facilities in Prague 2002 – 2009
(number of accommodation facilities)



Sources: own chart based on figures published by Czech Statistical Office

3. The financial crisis as an opportunity to change?

In spite of the fact, there is generally said the financial crisis might bring the trouble in the tourism sector in Prague, the primary cause for decline in tourist demand for Prague needn't to be the financial crisis. The financial crisis can be considered to be just an additional cause merging with already existing factors.

Seeking generic causes of trouble in tourism in Prague, clear focus should be on three topics:

- Tourism market development in terms of boosting demand and supply in Prague since 90ies and a fallacy and exaltation that such a favourable development could be persistent.
- No systematic government intervention and conceptual support to the tourism sector aimed at long-term continual tourism development in Prague. Absence of any destination management and marketing strategy.
- Competitiveness of Prague with other destinations, above all Vienna, in quantitative and qualitative terms and its benchmarking.

Tourism market development in Prague

The dynamic development of tourism in Prague with emphasis on current decade was described in previous parts of this paper. The issue is how much has affected the financial crisis the tourism demand and supply in Prague and if there is any chance to make the system more resistant by development of a destination marketing management system.

Very instructive experience can be found in the competitive destination of Vienna. Vienna has been perceived by foreign visitors as a direct competitor against Prague. The absolute figures concerning the number of arrivals, nights, market portfolio as well as the figures on hotel capacities are very comparable between Prague and Vienna. Even when the dynamic in both city destinations has been compared at beginning of the current decade, the dynamic of demand for Prague was much higher than the one in Vienna with much less efforts in terms of government expenditures. The situation in Prague appeared to be very optimistic as the effort spent on the foreign demand growth compared with the real figures was very favourable, in contrast to Vienna.

Government support for the tourism in Prague and in Vienna

The spontaneous and promising market development in Prague brought many stakeholders to a false and misleading idea on persistence of this situation. That

was the reason there was no pressure on government institutions to intervene, so that no destination management and no marketing strategy have been applied in Prague since 1993. The Prague municipality has financed some marketing activities accidentally only, like some printed brochures, some advertising, exhibitions and fairs, running of information centres (Prague Information Service) or to a certain, very limited degree also marketing research.

Prague Information Service, an allowance organization of Prague municipality is focused on providing information, guiding, and other tourist services, management of some historical attractions in Prague, but it does not perform the role of a real marketing management organization for Prague. The latest intention regarding the activities of the Prague Information Services should move it more to the marketing, although oriented on MICE segment in Prague. [14], [15]

The evaluation of tourism development in Prague and in Vienna could be very misleading in case of a plain comparison of basic indicators as well as of efficiency of contemporary public financing. The numbers of tourists and nights declared in the Chart 3 clearly show that the numbers of tourists/nights in collective accommodation facilities (CE) in Prague are higher than in Vienna. The budget efficiency comparison of Wien Tourismus and Prague Information Service (Prague municipality) has to imply a misleading conclusion on a better budget efficiency in Prague. The yearly budget of Prague Information Service (2009) amounted approx. 0,750 mil. EUR, whereas the Wien Tourismus has 27,1 mil. EUR.

Different results can be obtained in 2009 and 2010, when an additional amount of approx. 3 mil. EUR in Prague is added. The mentioned amount was approved by Prague municipality as an anti-crisis measure for 2009 and approximately the same amount was entered in the Prague municipality budget for 2010. However, the 3 mil. EUR haven't been allocated to the Prague Information Service, but to the Prague municipality (Tourism Department) aimed at financing of marketing communication activities (e. g. TV spots). [24] Another view on financing appears when breaking down receipts of Wien Tourismus. Only approx. 20 % (over 5 mil. EUR) came from government in 2009.⁵

⁵ The key issue is not only the absence of working destination management company, but also the budgeting of the Prague Information Service or marketing activities generally. Compared to Vienna, The Wien Tourismus keeps at its disposal approx. 23,7 mil. EUR in 2010 (27,1 mil. EUR in 2009), whereof almost half comes from a local accommodation tax and just 22 % is the government support, 2 % are provided by Wiener Handelskammer and 29 % are generated by Wien Tourismus itself. Around 60 % of total budget is used for marketing activities. [18]

According to comparison the budget of Prague municipality and Wien Tourismus became more commensurate in the sense of government support in 2009.

All the above mentioned quantitative comparisons can seduce to an almost heretical idea and conclusion, namely the marketing efficiency in Prague is more favourable than the one in Vienna and the marketing activities in Prague are well proposed and accomplished. Two counterarguments are to notify, firstly the long-term sustainability of such a conclusion and secondly, the ability to resist against external shocks and to recover after them. As illustrated in the Chart 3, the decline in arrivals and nights in Vienna is not so deep as the one in Prague. Thereby the first year of decline in Vienna was 2010, while in Prague it was already the year 2009.⁶ Unfortunately, the data on financial performance in accommodation facilities are available in Vienna only, neither in Prague nor Budapest.⁷

The Prague municipality accepted increasing of marketing communication budget with a disputable efficiency instead of building a destination marketing management system. In general terms, without a working destination marketing management system can be such an ad-hoc decision considered as incompetent. The fact, that there are no conceptual steps towards the destination marketing management model in Prague, can be regarded as inappropriate. Using retrospection, tourism in Prague experienced a very similar situation characterized by a jump decline in demand in 2002 (almost 15 % decline in terms of tourists and nights in collective accommodation facilities). In contrast to the current situation the decline in 2002 was caused by a non-economical impulsive incident (11. 09. 2001). The following drop-off was deeper but the recovery was relatively rapid. Nowadays the decline caused by economical slowdown is characterised by a lower drop-off with a may be more chronic descending trend as declared in Table 1. Prague municipality seems to be incorrigible without an aspiration to create a destination marketing management system in Prague.

Competitiveness of Prague and Vienna – a benchmarking approach

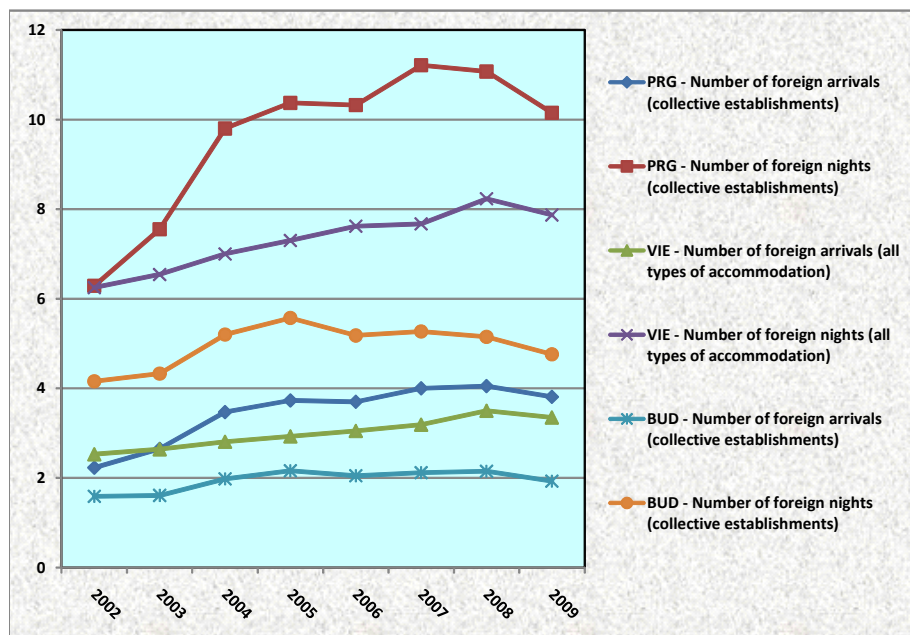
Competitiveness is generally used term, very often without an exact content definition. Competitiveness in destination marketing management should indicate the ability of a destination to realize their tourism services in the market with the view to increase their residents' wealth under the terms of free trade. Two methods how to compare tourist destinations can be applied when

⁶ Very similar development of demand can be pursued in Budapest, where the decline of nights was apparent in 2009 and the drop of arrivals and nights in 2010 is deeper than that in Vienna.

⁷ The room revenue for all types of accommodation facilities in Vienna showed annually an increase of 11 % in 2008 and a strong fallback by 14 % in 2009. [22]

examining their competitiveness. The first one is based on the quantification of demand and supply (e. g. figures introduced in parts 1 and 2 of this paper). The second, more subjective (qualitative) method is based on a survey of attitudes and perceptions among (potential) visitors.

Chart 3: Foreign demand in Prague, Wien, Budapest by source market 2002 – 2009
(mil. of arrivals, mil. of nights)



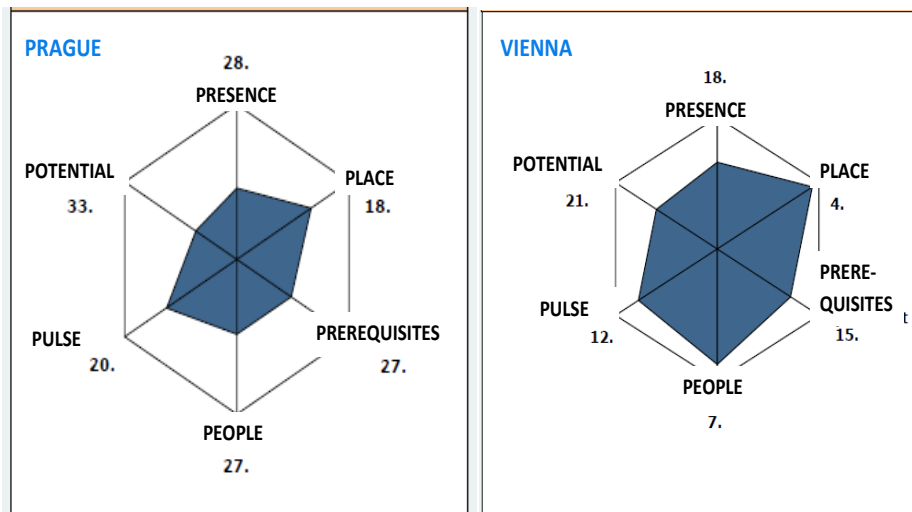
Sources: own chart based on figures published by Czech Statistical Office, Budapest Info, Wien Tourismus

The methods needn't to provide the same nor similar results. Although Prague is more competitive in terms of number of foreign arrivals and nights, the perception of Vienna is more favourable. In various comparative studies Vienna is placed among first ten destinations, e. g. 1st position worldwide in "Quality of Living Survey 2010" (Mercer), 6th position in "Personal Safety Ranking 2008" (Mercer), 4th position in Europe in "European Green City Index 2009" (Economist Intelligence Unit). [33]

The more complex survey covering perception of different attributes (presence, place, prerequisites, people, pulse, potential) linked with a city brand provides the Anholt City Brand Index. "Presence" covers familiarity of respondents with the city and evaluation of how much of a contribution they believe that the city has made to the world in the last 30 years. "Place"

includes physical and climatic characteristics of the city. “Prerequisites” marks civic and tourist amenities. “People” express the friendliness of citizens and also the safety aspects. “Pulse” indicates the variety of activities available for citizens and tourists. “Potential” covers economic opportunities in the city. [23]

Figure 1: ANHOLT CITY BRAND INDEX – PRAGUE AND VIENNA (2008)



Source: GfK Czech: Image značek "Česká republika" a "Praha" v mezinárodním srovnání (2009).
 In: http://www.marketresearch.cz/dm/nbi_a_cbi/NBI_CBI_ppt.pdf

The results of the survey explain clearly the qualitative difference between Prague and Vienna. The position of Prague is a worse one in all evaluated attributes than the position of Vienna.⁸ Figure 1 illustrates the differences between Prague and Vienna very clearly. [12]

⁸ Incidentally, the excellent position of Vienna in the MICE market in comparison to Prague is the direct result of perceiving Vienna as qualitatively better destination than Prague.

Table 3: Basic indicators of economic development in the main source market of Prague

Source Market for Prague	GDP growth 2009	GDP growth 2010	GDP growth 2011	Inflation (Consumer Prices) 2009	Inflation (Consumer Prices) 2010	Inflation (Consumer Prices) 2011	Unemployment 2009	Unemployment 2010	Unemployment 2011
World economy	-1,1%	4,2%	4,3%	..	..	..	..	..	..
1. Germany	-5,3%	1,2%	1,7%	0,8%	0,9%	1,0%	7,4%	8,6%	9,3%
2. United Kingdom	-4,4%	1,3%	2,5%	2,1%	2,0%	1,7%	7,5%	8,3%	7,9%
3. Italy	-5,1%	0,8%	1,2%	1,0%	1,5%	1,7%	7,8%	8,7%	8,6%
4. USA	-2,7%	3,1%	2,6%	2,0%	1,7%	1,9%	9,3%	9,4%	8,3%
5. Russia	-7,5%	4,0%	3,3%	8,8%	6,0%	5,4%	..	..	..
6. Spain	-3,8%	-0,4%	0,9%	0,9%	1,1%	1,0%	18,0%	19,4%	18,7%
7. France	-2,4%	1,5%	1,8%	0,1%	1,2%	1,5%	9,4%	10,0%	9,9%
8. Poland	1,0%	2,7%	3,2%	3,5%	2,4%	2,5%	..	..	..
9. Slovakia	-4,7%	4,1%	4,5%	0,0%	1,4%	2,4%	12,1%	11,6%	10,7%
10. Japan	-5,4%	1,9%	2,0%	-1,7%	-1,1%	-0,5%	5,1%	5,1%	4,9%
11. Netherlands	-4,2%	1,3%	1,3%	1,0%	1,3%	1,5%	3,5%	4,9%	4,7%
12. Austria	-3,8%	1,3%	1,7%	1,1%	1,3%	1,5%	5,0%	5,4%	5,5%
13. Norway	1,0%	1,1%	1,8%	2,0%	2,3%	2,2%	3,2%	3,5%	3,5%
14. Denmark	-4,7%	1,2%	1,6%	1,2%	2,6%	2,0%	3,3%	4,2%	4,7%
15. Israel	-5,4%	3,2%	3,5%	4,0%	2,6%	2,6%	7,7%	7,4%	7,1%
Czech Republic	-4,3%	1,7%	2,6%	1,0%	2,3%	2,2%	6,7%	8,8%	8,5%

Source: International Monetary Fund - World Economic Outlook (April 2010). In:

<http://www.imf.org/external/pubs/ft/weo/2010/01/index.htm> (download 13. 07. 2010)

The presented insight into the quality competitiveness rates Vienna above Prague. This is another good reason to implement the destination marketing management concept in Prague.

How to overcome the impact of financial crisis by changing the concept?

The discussion of the query what to do now for demand increasing can probably bring two results.

- 1) Continue the existing passivity or ad-hoc activities and waiting for revival in the source markets. In regard of the very moderate revival in source markets and rising unemployment rates in the source markets (Table 3) this way doesn't seem to be reasonable.
- 2) Change the view that only the crisis caused the trouble and start to create a destination marketing management system for a better stability and resistance of tourism in Prague.

There are many other different measures⁹ usable in solving or moderate the crisis effects indeed, but in a long term the development of stable destination management system can be considered as the priority.

⁹ The measures are focused either on the support of supply or demand side. The financial as well as non/financial measures can be taken. UNWTO completed a set of measures ("Road map for recovery") aimed at the forcing stability and resistance of tourism sector and supporting the green tourism (sustainability).

4. Destination Marketing Management as a remedy for crisis' after-effects

Previous parts of this paper have been addressed to the recent development of tourism in Prague, to the reasons of that development, and to the differences in development of concepts in Prague and in Vienna. Vienna can be considered as a destination for benchmarking with Prague. The Vienna experience in destination management could be used in Prague as well, although the entry conditions are obviously different.¹⁰ Vienna used as a remedy for crisis a very sophisticated communication campaign, but based on the working destination management system incl. marketing research system. Prague intensified its communication campaign as well. Unfortunately without existence of any destination management system it is an ad-hoc activity without any relation to other marketing activities and its impact is very uncertain.

Conditions necessary to overcoming the crisis effects in Prague

The concept of destination marketing management in Prague should be based on a competitive destination management company in authority and with a stable financing. With respect for the extraordinary position of Prague in tourism in the Czech Republic, the destination management in Prague could be in principle independent of the destination management in the remaining parts of the Czech Republic.¹¹ The essential barrier to the destination management creation has been the lack of interest of local government to realize any changes, so that the Prague Information Service mentioned in part 3 of this paper resists in more or less unchanged function as it was 50 years ago. By contrast the Wien Tourismus has been used to work and react flexibly.

Vienna operates its destination management company Wien Tourismus since 1955. Wien Tourismus is developing and realising the marketing strategy on basis of annual business plans. The current marketing strategy

¹⁰ The key difference can be seen in the tourism development legislation. Tourism in Vienna has been regulated in Tourism Act since 1955 (Wiener Tourismusförderungsgesetz), while tourism in Prague has not support in any rule of law, even in the Act on capital Prague (Zákon o hlavním městě Praze, č. 131/2000 Sb).

¹¹ It is impossible to achieve an effective interconnection to the national destination system, because the national system is very unstable. The deficiencies of the contemporary system and the creation of a new system should be included in new tourism legislation (Tourism act).

presented in the end of 2007 covers the period till the 2015. The strategy has been named „Tourismuskonzept Wien 2015“¹² with its main motto “100 und 1 und jetzt”. The main goals are clearly reflected in the motto – 100 mil. EUR more in the room revenue for hotel accommodation, 1 mil. more of nights then in 2008. The “jetzt” (now) relates to the new communication campaign launched as an answer to the slowdown of demand. The strategy 2015 has been based on the survey of approx. 11 thousands individuals covering main core markets and about 550 professionals in the Vienna tourism industry. [18]

The case of Vienna is a very nice example how a stable destination marketing management can react to the demand slowdown. After the first negative signals the Vienna Tourismus strengthened their activities in communication very appreciably in 2008. Although the budgets for marketing have been cut in many destinations, the budget of Wien Tourismus was supported by additional 1,5 mil. EUR as an economic stimulus package as a reaction to the outbreak of the global financial crisis. Vienna launched the first large-scale TV advertising campaign, e.g. in CNN or Euronews targeting European, African, and the Middle East markets.¹³ [18]

Four basic conditions have to be fulfilled to realize change allowing Prague to be more resilient at the destination level.

1. Strong and flexible marketing management company supported by government authorities and private business.
2. The relevant legislation for a marketing management company aimed to holistic and systematic approach.

¹² The “Tourismuskonzept Wien 2015” represents a favourable example of destination marketing management in the city destination supported by additional 10 mil. EUR in yearly budget of Österreich Werbung. The destination management in Vienna shows the interconnection between different sectors of tourism as well as interconnection of tourism with other branches, i. a. retail trade or government sector (improving visa issuing services in core markets). The research among visitors in Vienna identified the closing-time on Saturdays and Sundays as one of the complaint, what was the reason to change it in some shops and luxury restaurants. [18]

¹³ The new communication campaign “Vienna – now or never” should push the potential visitors to the immediate decision to visit Vienna. The visitor has to be under the impression that if he/she doesn’t visit Vienna, he/she will miss something important. It is a new positioning of Vienna as a dynamic, lively, and a busy tourist destination that must be visited. The results of above mentioned survey showed the crucial attributes for Vienna positioning and branding – its imperial heritage, its music and culture, its “savoir vivre”, its functionality as a city, and its balance of urban and green areas. [18]

3. Efficient financing of marketing management activities.
4. Vigorous marketing strategy backed by public and private sector.

Thanks to the high attractiveness of Prague the tourism development in Prague was outside focus of the government and was almost exclusively in the competence of the fragmented private sector. The public sector should be motivated to connect with the private business and support the sustainable tourism in Prague. In contemporary complicated situation and from long-term point of view, the strong participation of the public sector seems to be unavoidable as it is in Vienna.

The conclusion from the Viennese experience could be summarized in “Better slowly, but under control than rapidly and spontaneously without any control and influence”.

Marketing strategy for Prague

The main topics of the Viennese marketing strategy are very strong branding and communication campaign as well as the quality management and product development. The strategy includes strengthening the quality and attractiveness with the aim of a steady sustainable growth. The Viennese strategy is focused on almost the same source market portfolio as it is the portfolio of Prague or Budapest covering Germany, Italy, USA, Great Britain, Spain, France or Russia. Thereby the marketing tools used in the core markets by Vienna can be very similar in Prague.

Marketing strategy is one part of the marketing management process. The ground for a marketing strategy should be definition of marketing goals and marketing research. Prague hasn't defined any marketing goals, either in terms of basic tourism indicators (arrivals, nights, ...) nor in terms of economical benefits of tourism. To be able to set the goals a sophisticated marketing research and a statistical monitoring of tourism are necessary. Current availability of data relevant for Prague is not sufficient, since the figures don't include the information on effects of tourism in local economy (primarily fiscal effects, GDP creation, number of employees). Prague municipality, resp. Prague Information Service can use the data published by the Czech Statistical Office or some marketing surveys of the CzechTourism only. The last survey focused on consumption behaviour of tourists and excursionists in Prague was accomplished in 2004.

Prague has to clearly declare at the strategic level which markets and products should be preferred. Prague can't target the markets and their segments without a continuous marketing research. There are some useful

analytic tools to define the appropriate products and markets as for example the Boston matrix, Ansoff's matrix or the TALC model (Tourism Area Life Cycle).

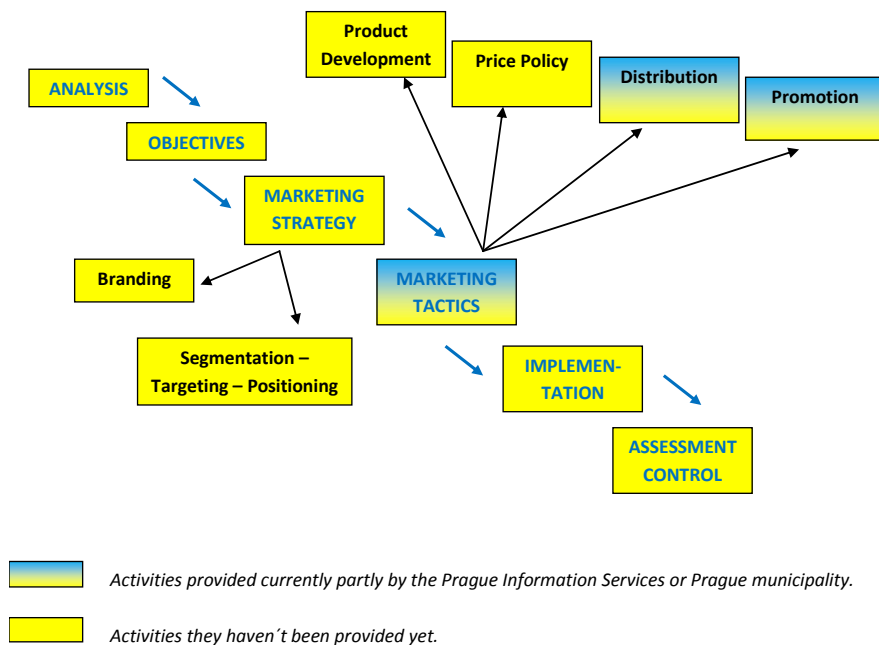
Another crucial topic at the strategic level is the branding of Prague as the central point of further communication campaign and positioning of any destination. The brand creation and development has to be very expressive in such an important destination as Prague. Prague has its own logographer common to residents as well as visitors, but the logographer has been used more or less as a sticker on promotional materials.

As explained in part 3 of this paper, the qualitative perception and associations linked with Prague are much worse than that linked with Vienna, although the quantitative figures are better in Prague.

The emphasis in the large scale of marketing activities in a destination is usually on the promotion. The same situation is in Prague. Unfortunately Prague derives benefits just from conventional promotional tools as printed brochures, web sites or some scope of PR activities today. There are more efficient measures they could be applied in Prague, esp. direct marketing, personal selling or sales promotion. It would be appreciable to develop the sales promotion tools, esp. the so called destination card for Prague. Although Prague is one of the leading cities in Europe, it doesn't have its destination card as its competitors Vienna or Budapest have.

The space to work on a better and conceptual marketing is quite large in Prague. The Viennese experience can be very valuable.

Figure 2: PROCESS OF MARKETING MANAGEMENT IN PRAGUE



Source: own figure

5. Summary

Tourism is a very volatile branch with a cross-sectoral character. Understanding the sources and drivers of change in tourism needn't to be easy. The demand in the tourism market is usually the most dynamic part reacting very quickly to changes, while the supply reacts with some delay. On the other side supply can influence demand considerably.

The changes, apart from their reason, can be analysed at different levels, one of them is the level of a tourist destination. The tourist destination level seems to be crucial for further development of tourism in a destination. The case of Prague disclosed some important facts:

- 1) Financial crisis can be only partially responsible for decline in tourism demand, supply and other negative effects. The effective reason for demand decline can be hidden behind the crisis.
- 2) On the other hand the financial crisis could be a trigger for broader and more substantial changes.

- 3) It is essential to look behind the simple figures like number of tourist arrivals or nights and to examine also the tourism development from qualitative point of view.
- 4) Benchmarking is very beneficial method how to compare and to learn from the best destination in particular area.
- 5) The role of public sector in a long term tourism development in Prague as well as in reinforcement of destination resistance can be considered as crucial.
- 6) Vigorous marketing management system headed by a high-powered destination management company should be created by the top-down method, with a strong support in national/regional legislation if possible.
- 7) Conceptual approach based on analysis, planning, realizing, and controlling of marketing strategies instead of occasional or ad-hoc decisions is a necessary condition.

The expected long term benefits of marketing management system in Prague are obvious. The fundamental background for any marketing strategy should be seen in tourism policy. Modern tourism policy counts on competitiveness improvement and on a sustainable development. The demand revival in the core markets is expected to be quite moderate and with impact into the social sphere. There is no more time space for further postponing of starting an effective destination marketing strategy in Prague. Otherwise the recovery of tourism in Prague will be very slow and painful process.

Bibliography

PUBLICATIONS AND PAPERS

1. BARTL, H. - SCHMIDT, F.: DESTINATION MANAGEMENT. Wien, Institut für regionale Innovation, 1998.
2. BIEGER, T.: Management von Destinationen. München, Oldenbourg Wissenschaftsverlag GmbH, 2005. ISBN 3-486-57656-9.
3. GOODAL, B. - ASHWORTH, G.: Marketing Tourism Places. London, Routledge, 1993. ISBN
4. KELLER, P. - BIEGER, T.: Managing Change in Tourism. Berlin, Erich Schmidt Verlag, 2010. ISBN 978-3-503-23066-6.
5. KELLER, P.: "Management strategique de la cooperation entre les entreprises et ls organisation du tourisme". The Tourist Review (AIEST), 2000, č. 4, s. 56 - 70.
6. KIRÁĽOVÁ, A.: Marketing destinace cestovního ruchu. Praha, Ekopress, 2003. ISBN 80-86119-56-4.
7. LUFT, H.: Organisation und Vermarktung von Tourismusorten und Tourismusregionen. Messkirch, Gmeiner-Verlag GmbH, 2005. ISBN 3-926633-48-4.

8. PALATKOVÁ, M. - TITTELBACHOVÁ, Š.: Návrh nástrojů pro zmírnění následků ekonomické recese v cestovním ruchu České republiky. In: Czech Hospitality and Tourism Papers. VŠH Praha, 11/2010. ISSN: 1801-1535.
9. PALATKOVÁ, M.: Marketingová strategie destinace cestovního ruchu. Praha, Grada Publishing 2006. ISBN 80-247-1014-5.
10. PALMER, A. J.: "Relationship marketing: a universal paradigm or management fad?". Dostupné z: <http://myweb.tiscali.co.uk/apalmer/MANDECIS.htm>, 1997 (download 18. 8. 2005)
11. PECHLANER, H. - SMERAL, E. - MATZLER, K.: "Customer value management as a determinant of the competitive position of tourism destination". The Tourist Review (AIEST), 2002, č. 4, s. 15 - 22.

DOCUMENTS

12. GfK Czech: Image značek "Česká republika" a "Praha" mezinárodním srovnání (2009). In: http://www.marketresearch.cz/dm/nbi_a_cbi/NBI_CBI_ppt.pdf (download 15. 07. 2010)
13. Magistrát hlavního města Prahy: Koncepce kulturní politiky 2010. In: <http://kultura.praha-mesto.cz/files/=73287/KONCEPCE+KP+HMP.pdf> (download 13. 07. 2010)
14. Magistrát hlavního města Prahy: Město chce transformovat Pražskou informační službu (Zpráva z 3. jednání Rady hl. m. Prahy 26. 1. 2010). In: <http://magistrat.praha-mesto.cz/default.aspx?id=82820&sh=-1308796072> (download 13. 07. 2010)
15. Magistrát hlavního města Prahy: Rozpočet Kultura, sport a cestovní ruch. In: <http://kultura.praha-mesto.cz/ODBOR-KULTURY-PAMATKOVE-PECE-A-CESTOVNIHO-RUCHU-MHMP/Rozpocet/Rozpocet-pro-rok-2010> (download 13. 07. 2010)
16. Pražská informační služba. Zřizovací listina příspěvkové organizace PIS. In: <http://kultura.praha-mesto.cz/ORGANIZACE-V-PUSOBNOSTI-OKP/Prispevkove-organizace-hl-m-Prahy/Prazska-informacni-sluzba> (download 13. 07. 2010)
17. Vienna's Strategy: Looking Towards 2015 (1. 12. 2009). In: <http://www.viennareview.net/business-and-media/vienna-s-strategy-looking-towards-2015-3454.html>
18. Wien Tourismus: Tourismus-Bilanz – Tourism Review 2009. In: <http://www.wien-tourismus.at/data/bilanz2009.pdf> (download 13. 07. 2010)
19. Wien Tourismus: Vienna Now or Never. In: <http://2b.wien.info/data/fact-e.pdf>

LEGAL RULES

20. Landesgesetzblatt für Wien. 1955. In: <http://www.wien.gv.at/recht/landesrecht-wien/landesgesetzblatt/jahrgang/1955/pdf/lg1955007.pdf> (download 14. 07. 2010)
21. Zákon o hlavním městě Praze, č. 131/2000 Sb. ze dne 13. dubna 2000. In: <http://www.sagit.cz/pages/sbirkatxt.asp?zdroj=sb00131&cd=76&typ=r> (download 13. 07. 2010)

INTERNET SOURCES

22. Wien Tourismus. In: <http://www.wien-tourismus.at/> (download 13. 07. 2010)

23. City Brand Index: In:
http://www.business.nsw.gov.au/aboutnsw/lifestyle/E3_citybrandsindex.htm (download 15. 07. 2010)
24. Magistrát hlavního města Prahy. In: <http://magistrat.praha-mesto.cz/Urad> (download 14. 07. 2010)
25. Pražská informační služba. In: www.praguewelcome.cz/en/ (download 14. 07. 2010)

STATISTICS

26. Budapest Info. In:
http://www.budapestinfo.hu/en/for_the_tourism_industry/touristical_statistics_of_budapest (download 14. 07. 2010)
27. Česká národní banka - Statistika platební bilance. In:
http://www.cnb.cz/cs/statistika/platebni_bilance_stat/platebni_bilance/index.html (download 13. 07. 2010)
28. Český statistický úřad - Satelitní účet cestovního ruchu České republiky. Vývoj za roky 2003 až 2007. In: <http://www.czso.cz/csu/2008edicniplan.nsf/p/9211-08> (download 14. 07. 2010)
29. Český statistický úřad. In: http://www.czso.cz/csu/redakce.nsf/i/cru_cr (download 14. 07. 2010)
30. International Monetary Fund - World Economic Outlook (April 2010). In: <http://www.imf.org/external/pubs/ft/weo/2010/01/index.htm> (download 13. 07. 2010)
31. Pražská informační služba: Statistika dotazů návštěvnosti 2007 a 2008. In: http://cestovnuruch.praha-mesto.cz/71170_Statistiky-cestovniho-ruchu (download 13. 07. 2010)
32. Příjezdový cestovní ruch 2009 - 2015 (STEM MARK). In:
<http://www.mmr.cz/CMSPages/GetFile.aspx?guid=8a7c0d5c-82f1-431a-acd3-fcbc4eb04f07> (download 14. 07. 2010)
33. Wien Tourismus. In: <http://www.wientourismus.at/article.asp?IDArticle=1420> (download 14. 07. 2010)
34. CzechTourism - Monitoring návštěvníků v turistických regionech České republiky. In: <http://www.czechtourism.cz/statistiky-2/vyzkumy-czechtourism/profil-navstevniku-v-turistickych-regionech-cr/> (download 13. 07. 2010)

Contact

Monika Palatková
University of Business in Prague
Spálená 76/14, 110 00 Praha 1, Czech Republic
E-mail: mpalatkova@gmail.com

A Survey on Freeride Skiing and Snowboarding

Csaba Rédei

Corvinus University, Budapest, Hungary

Abstract

Extreme or action sports are getting more and more important within the sector of tourism in most countries of the developed world. Apart from the consequences of this phenomenon on global society, the growing popularity of such sports can be seen as a splendid opportunity for supporting economic growth through the receipts generated at hotel rooms or travel agencies operating on the “adventure market”. In this study I will present the results of a survey conducted on a group of freeride skiers and snowboarders. The survey aimed to establish the principal profile of participants of this recreational sport with regards on their social status. We also examined under which circumstances they pursue their favourite sports activities. Identifying these profiles can help to establish the main factors that influence the participants’ motivations and explore the business opportunities offered by this new segment of tourism.

Key words

Tourism, skiing, snowboarding

Sport tourism and its perspectives in Hungary

Sport tourism represents a special growing segment inside the sector of tourism. Following a global trend, sport tourism has experienced a rapid growth in Hungary in the last decades. This dynamical growth had many benefits: it created numerous jobs and accounted for a growing share of the GDP. Although tourism in general has suffered globally from unfavourable circumstances in the recent years: terrorism; epidemics; global warming with unusual weather patterns, even natural disasters and an economic slowdown resulting in global recession, the growing trend of tourism remained unchanged, and this remarkable trend seems to be continuing – although at a slower pace – in these years of economic difficulties. The growing share of sport tourism within tourism shows that this sector could be an effective means for East-European countries to fight recession and compensate for the decreasing performance of other sectors or the economy as a whole.

The growing popularity of extreme sports within sport tourism

On the basis of the participants' level of activity, sport tourism has two sub-categories: the first category is called active sport tourism, which is characterized by individuals' personal involvement in sport activities as participants or in competitions (Földesiné: 2005). The other category is called passive sport tourism, which includes activities such as supporting a team or attending a sports event as spectators. Speaking about active sport tourism, the participants can be "hard sport tourists", who travel with the explicit aim of doing sport or they can be "soft sport tourists", for whom doing sport is just a secondary aim during vacation (Gammon and Robinson: 1997). Active sport tourism can be further classified as outdoor (performed in natural settings) and indoor (performed in sports facilities) activities.

The development of active sport tourism is very much fuelled by the growing popularity of extreme sports which is a subcategory of recreational sports. Extreme sports as a means of recreation have spread widely in the developed countries since the 1970s. Such sports are characterized by the dominant participation of middle-class males (but not exclusively males), the non-existence of regulations including resistance to any attempts of regulations from the society, the nostalgic feelings about nature and a positive attitude toward risk-taking (Wheaton: 2004, Rinehart: 2003). The participants' propensity to take risks stands in sharp contrast with the dominant attitude of avoiding risks of mainstream society (Lyng: 2005). Reasons for this phenomenon are yet basically unknown but widely researched by psychologists and sociologists.

The survey

This study is about the results of a pilot test survey conducted in a group of freeride skiers and snowboarders. Freeride skiing (in other words off-piste skiing) is a typical example of so-called extreme sports pursued in the winter season. Skiing and freeride skiing are both getting more and more popular in large segments of the Hungarian society. As the topography of the country is not really suitable for skiing, people have to take trips abroad. The most popular terrains with Hungarian skiers are mainly in the neighbouring countries: Austria, Northern Italy, Slovakia, Romania or France (Símánia magazin).

Our survey attempted to investigate the motivations, lifestyle and living conditions of the respondents. The test was inspired by a similar investigation into French freeriders conducted by Keimbo (2006) in skiing stations of the French Alps. We also had the objective to explore the participants' socio-

cultural background (place of residence, income group, the highest academic qualifications, etc.) The group our test targeted were the participants of a skiing tour organized by Naturelle Extreme Sport Club, Budapest. The one-week skiing tour took place in Puy St. Vincent, France in February 2009. Puy and the whole region in the French Alps is a popular destination with freeriders. This settlement – despite the large distance – is also very popular with Hungarian skiers, we can say, it is a traditional meeting point for Hungarian freeriders. Naturelle Extreme Sport Club has been organizing freeride tours in the region attracting more and more participants for the last five years. The highlight of the tour in 2009 was a freeride competition, the participants of which served as a sample population for this survey. The survey was completed by 48 participants who represented more than half of the total number of participants.

Results and conclusions of the survey

I. Summary of the information on social background of the participants

1. Age

15-20 years	20-25 years	25-30 years	30-40 years	over 40 years
12,5 %	16,7 %	18,7 %	29,2 %	22,9 %

Conclusion: Not surprisingly, the cohort of people in their 20s and 30s is the most involved in these activities. Younger people probably do not have enough skiing skills as freeride skiing requires a relatively large amount of experience. Older people might not have the necessary physical conditions or interest in such sports.

2. Sexes

Male	Female
64,6 %	35,4 %

Conclusion: Males are overrepresented, but not so much as the opinion of the society would suggest. Extreme sports are getting more and more popular but not only with males. Other surveys suggest that the number and even the proportion of female participants are continuously growing.

3. Marital status

Single	Married	Divorced	Widow(er)
72,9 %	10,4 %	12,5 %	4,2 %

Conclusion: The category “single” was the most prevalent, which presumably follows the overall patterns of global society.

4. Place of residence

Budapest	County town	Town	Community	Village
62,5 %	6,3 %	20,8 %	8,3 %	2,1 %

Conclusion: Corresponding to our preliminary expectations, Budapest and the bigger towns are overrepresented. People in cities seem to have more opportunities and maybe more stimulants to engage in such sport activities.

5. Highest academic qualifications

Elementary S	Technical S	Vocational S	Grammar S	College/ Uni.	Doctorate
10,4 %	2,1 %	14,6 %	18,7 %	54,2 %	-

Conclusion: The results reflect the qualifications sample of global society for younger generations. Higher qualifications are a bit more prevalent as others. Freeride skiing used to be deemed as being popular with only the intellectual elite of the society. Our survey did not justify these opinions. There might have been a shift in the social background of groups of people participating in these activities as most educational and professional categories seem to be involved.

6. Net monthly income in HUF

practically nothing (e.g. student)	30,2 %
less than 60,000 Ft	-
60 – 100,000 Ft	11,6 %
100 – 150,000 Ft	14,0 %
150,000 – 200,000 Ft	20,9 %
over 200,000 Ft	23,3 %

Conclusion: Freeride skiing is not a cheap sport for everyone. It requires large investments and a relatively high amount of spare time. One of the most significant groups regarding the income level of the participants is represented by the students whose sporting activities might be financed by their parents. On the other side, people with an income over the national average are overrepresented. This more or less tallies with our preliminary expectations and the expectations of the society.

II. Summary of the information on the frequency of the activity, involvement of the person and the art of the sports as a life-style

7. How many (downhill) winter sports (downhill skiing, snowboarding, ski alpinism, telemark, snowblade, etc.) do you regularly pursue?

Only one	Two	Three	Four or more
68,7 %	27,1 %	2,1 %	2,1 %

Conclusion: The summary shows that about one third of the respondents regularly pursue more than one winter sport. An interest in one of these sports is usually accompanied with interest in similar sport activities.

8. How many times and how many days in a skiing season do you ski / snowboard, etc.?

one time a year, 1-3 days (e.g. a weekend)	4,2 %
several times a year, more than 3 days in total	18,7 %
several times a year, but less than 5 days in total	-
several times a year, 5-10 days in total	31,3 %
several times a year, 10-20 days in total	25,0 %
several times a year, more than 20 days in total	20,8 %

Conclusion: The most prevalent category is “several times a year, 5-10 days in total”, which indicates that the respondents probably do not have enough financial means or time to practice the sports more often. These obstacles, however, do not influence their commitment and love of the sport.

9. How much percentage of the time spent on skiing do you ski / snowboard OFF-PISTE?

Not at all or very rarely	Less than 10 %	10-50 %	more than 50 %, but not exclusively	(almost) always
27,1 %	20,8 %	20,8 %	27,1 %	4,2 %

Conclusion: Participants of the freeride competition prefer riding at least some of the time off-piste which activity is officially regarded as extreme sport. Skiing in untouched areas is very different from skiing in the well-maintained pistes of skiing stations.

Remark: Riding off-piste is only possible if there is enough snow which has become quite restricted in the easily accessible ski resorts of the neighbouring countries lately. Compared to the highest peaks of the Alps, these mountains are relatively low areas, mostly at the attitude of 1000-2500 m above sea

level. This relatively low altitude with the effects of global warming makes the conditions for freeride skiing less and less favourable but at certain times of the year and certain valleys there are still plenty of opportunities.

10. Which of these countries (Austria, France, Italy, Poland, Romania, Slovakia, Slovenia, etc.) have you visited to pursue the sport in?

1 country	2 country	3 country	4 country	5 country
8,5 %	6,4 %	19,1 %	21,3 %	19,2 %
6 country	7 country	8 country	9 country	12 country
14,9 %	2,1 %	4,3 %	2,1 %	2,1 %

Conclusion: The summary shows that most people have already pursued the sport in 3-6 countries. This piece of information suggests that their skiing experience is above of the level of experience of average skiers.

11. Have you ever pursued the sport in an illegal area?

Yes, once	Yes, several times	No, never
4,2 %	31,2 %	64,6 %

Conclusion: One-third of the respondents admitted deliberately doing the activity in illegal areas. Illegality and the exhilaration experienced while engaging in illegal activities might be a motivating factor influencing a certain part of the participants. This attitude points to special behavioural patterns which aim embracing risks in contrast to avoiding risks which is the characteristic attitude of mainstream society.

12. Have you ever suffered any injuries during the activity?

Yes	No
36,9 %	63,1 %

Injuries most frequently mentioned are concussion, injuries of one knee, fracture of one ankle, injuries of one ankle, bone fracture, fracture of one wrist, platinum implant, bolting, compound fracture of lower leg, operation on navicular, injury of the spleen, LCA-replacement, fracture of os scaphoideum, splitting eyebrow, a torn-off fingertip, injury of the rear leg muscle, face bruise, fracture of one shoulder.

13. How old were you when you took up pursuing the sport?

before 6 y.	between 6-14 y.	between 14-18 y.	between 18-25 y.	between 25-35 y.	over 35 y.
22,9 %	22,9 %	14,6 %	10,4 %	14,6 %	14,6 %

Conclusion: Most respondents took up pursuing the sport in their early years. An influence of the family is very likely. An early start could ensure the long years of practice.

III. Information on motivations

14. Why do you think you have chosen to do this sport?

I wanted to find my boundaries (performance, courage, etc.)	25,0 %
I wanted to belong to a community, I was looking for friends	14,6 %
I wanted to stay healthy and fit	18,7 %
I wanted to look attractive and strong	4,2 %
I got it from my parents	16,8 %
My friends recommended it to me	31,25 %
I saw some advertisements or commercials	2,1 %
I took it up in an organized course	-
I took it up because of the „feeling” of doing it	10,4 %
Other reasons	I like extremity; influence of a video game; I like travelling and adventure; I was afraid of it; Because my boyfriend/girlfriend did it; I took it up in the elementary school

Conclusion: Influence of the friends and the family seems to be the most important reason followed by the intention to find one's own boundaries of performance. Organized courses are not mentioned which might indicate the fact that participants' feelings culminate around the attitude of resistance to the over-regulation of sports.

IV. Orientation of values

15. How many friends do you have who pursue the same sport?

Not one	1-2	3-4	5 or more
-	2,1 %	8,3 %	89,6 %

16. How many of your FIVE BEST FRIENDS pursue the same sport?

Not one	1-2	3-4	All of the five fr.
8,3 %	29,2 %	20,8 %	39,6 %

Conclusion: Answers to questions 16 and 17 indicate that a joint activity together with one's friends is the most prevalent. Despite being individual activities, these sports are typically performed in a group of friends. Shared experience might be a key attraction in the enjoyment of such sports activities.

17. Do you find important the following factors when skiing / snowboarding, etc. OFF-PISTE? Skip the question if you do not ride off-piste! 1 = very important; 5 = not important at all

Freedom	1,68
Beauty of nature	1,71
Powder snow	1,81
Adventure and challenge	1,90
Deserted places and silence	2,23
Speed and danger	2,68

Conclusion: Putting the factors in order has shown that freedom is the most important attraction followed by the beauty of nature (it is not a surprise) and speed and danger are the least important factors, which might be an element of surprise. The explanation for this is that the very same situation is deemed in totally different ways by the people. Some situations induce fear for some people while they bring about a positive challenge for others. In many cases the participants themselves do not see their own activities as extreme or they do not agree on the existence of considerable risks. Powder snow, which is essential for freeride, was used as factor of reference in this table of chart.

18. How do you evaluate the following human values (1 = very important; 5 = not important at all)

sincerity	1,23 (1)	creativity	1,52 (5)	love	1,98 (11)
health	1,23 (1)	enjoying life	1,56 (6)	care	2,08 (12)
offering assistance	1,33 (2)	sense of responsibility	1,77 (7)	taking risks	2,92 (13)
fair play	1,35 (3)	cooperation	1,85 (8)	right to leadership	3,29 (14)
conscientiousness	1,46 (4)	family	1,88 (9)	welfare and wealth	3,46 (15)
friendship	1,46 (4)	knowledge	1,92 (10)	recklessness	3,61 (16)
freedom	1,46 (4)	courage	1,92 (10)	authority and power	4,10 (17)

Conclusion: Putting the values in order proved our preliminary expectations that materialistic values (welfare and wealth, authority and power, right to leadership) lag behind post-materialistic values (freedom, creativity, enjoying life, etc.) among freeriders. Health, which is naturally essential, served as a value of reference. The outcome of this part of the survey marks a clear shift from materialistic values to post-materialistic values seen as a prevalent change in value orientation of developed industrial societies (Inglehart: 1997).

Bibliography

1. DROUET, Y. – KEIMBOU, K. (2005): Comment devient-on freerider? Une approche socio-anthropologique, *Loisir et société*, No. 1. (28), p. 67-88.
2. FÖLDESINÉ SZABÓ GYÖNGYI (2005) Sportturizmus: Új kihívások és stratégiák. *Kalokagathia*, No. 1,2, p. 92-113.
3. GAMMON S. – ROBINSON T. (1997) Sport and Tourism: A Conceptual Framework. *Journal of Sport Tourism*. No. 4. (3), p. 1-6.
4. INGLEHART, R. (1997) Modernization and postmodernization: cultural, economic and political change in 43 societies. Princeton, Princeton University Press
5. LYNNG, S. (2005) Edgework. The Sociology of Risk-taking. Routledge, New York
6. RINEHART, R. E. – SYDNOR, S. (2003): To the extreme, alternative sports, inside and out. Suny Press, New York
7. WHEATON, B. (2004): Understanding lifestyle sports, consumption, identity and difference. Routledge, London
8. SÍMÁNIA Magazin, December 2003

Contact

Czaba Rédei
Corvinus University
2-4., Szent Istvan Kiraly ut, Kalocsa, H-6300
Budapest, Hungary

Consideration of the Use of Information Technology at Tourism Enterprises at Destination Management of Pieniny

Beáta Stehlíková – Marcela Taušová – Pavel Horovčák
TU of Košice, Faculty of Mining, Ecology, Process Control and Geotechnology

Abstract

Tourism is one of the regional policy instruments. It may serve to regulate and optimize development of the region. Information related to the different areas of tourism, are increasingly electronic. Newly generated terms such as e-tourism, e-commerce and e-logistics synergic together directed to use the available ICT, streamlining information flow, and thus the organizing, planning and management processes of the destination in order to maintain not only a satisfied but also faithful customers and achieving optimum cost. This contribution is focused on ICT tool for the management and small analysis of the current state of their use in the selected destination

Key words

ICT, destination management, internet, services

Introduction

The Internet is widely used medium at present. It is a complex of the various services individual, and interconnected. It offers significant opportunities on sides, of companies and of customers. The current development of tourism has been for long influenced by the development of ICT, globalization and deregulation. Tourism industry was in relation to the use of the Internet and other technologies already classified as E-specific since 2003, by the E-BUSINESS WATCH. The long-time trend at international tourism is a geographic marketing, what means sale of destination. Destination in the national, regional, or local dimension is the product with its own marketing mix, brand and placing on the market. Companies may use ICT tools for their profit or not, but the second case becomes a major weakness of the company.

Opportunities of the internet in destination management

By the USA tourism research (2005) 82% of US travelers who plan their trip online book online the reservation too. At 2004 it was 70%. [1] According to the survey on the use of ICT in households, by the Statistical Office of the SR realized in the in the period from April to May 2009 has 62.2% of households in Slovakia access to Internet. [2]

Tourism industry was since 2003, by the E-BUSINESS WATCH classified as E-specific. The most common article of electronic commerce is air tickets, entrance tickets, and tours. In the destination management is relatively easy using Internet to assign the scope to secure (to be secured) elements of communication, comfort, and the customer's total costs. [3]

This confirms the important role of internet destination tools as a website and e-commerce interface.

Internet has many possibilities of use at destination management. It offers an effective presentation of the organization, enables to obtain valuable information from the areas of competition, products, industry progress, market developments, new products on the market, makes opportunities for organization benchmarking, providing space for a new way of managing relationships with customers, it's a new business and distribution channel, new communication channel and last but not least it offers the possibility in a new way to manage internal processes of the organization, too.

Opportunities from the use of the internet in general are: cost cutting, competitive advantage getting, communication improvement, acquisition of new opportunities, streamlining business processes, and customer care improvement.

Analysis of current situation at Pieniny destination

Pieniny is for tourists one of the most attractive landscape at Slovakia. There are a lot of possibilities for walking, sporting, rafting. At this destination there are many enterprises, but not real Destination Management. So that there does not exist coordination of tourism services to enterprises and to tourists too.

Based on the research, which was realized in 2009 on a sample of 53 respondents from a group of service providers in the tourism sector in the Pieniny, 47% of respondents used the PC daily, 40% sometimes and only 13% PC doesn't used. By testing proportion Test statistically based on a normal approximation realized for the significance level $\alpha=0,05$ it can be formulate next conclusions. At Pieniny daily uses PC 50% of enterprises, sometimes 40% of enterprises, doesn't uses PC 10% of enterprises.

The other results reveal that 30% of enterprises have not published information about online. There was computed 95% confidence interval for a Pieniny population proportion $<0,18; 0,42>$. The 95% confidence interval for Pieniny population proportion enterprises with opinion that internet advertisement can improve market with their services is $<0,35; 0,62>$ (47% of enterprises).

Tourism web promoting is currently realized through a number of portals. Domains are sk. or com. directly Pieniny are focused at portals: www.pieniny.sk, www.pieninyportal.com, www.ipieniny.szm.com.

www.pieniny.sk: The source code for the page is outdated, it's HTML 3.2, but now is widely used version of HTML 4.01. The site contains a much of information which are not sorted into categories, it makes the site complicated to navigate. It doesn't provide the possibility to reserve or search according to specified criteria, which result from the obsolete outdated techniques.

www.ipieniny.szm.com: The site only provides information on accommodation, which are poor, without prices and without the possibility of booking.

www.pieninyportal.com: The site contains much useful information, but also a lot of unnecessary ads, which impair the orientation on the page. It has high demands on hardware equipment for the user as well as the speed of the Internet. Positive element of the site is that the accommodation and restaurant facilities can be added to the site for free. This page is the closest to the requested destination portal because of its design and the structure.

Propose using website at destination management

In this part of contribution are described opportunities for improvement destination resulting from the use of website.

The website can be made by using the open source license software. It can use various dynamic portal engine and content management system in building a website: Drupal, Joomla, Django, Plone, and others. There is even open source video platform Kaltura, which allows the screening of short clips in a very good quality for the user with low demands on the speed of the Internet connection and PC user know-how.

The services expected at a quality site for customer are:

- Offer destination attractions and services
- Support of propose the stay
- Accept and confirmation reservation
- Care the customer before, during and after the stay.

The services expected at a quality site for and enterprises at the tourism destination are:

- Offer presentation
- Update Information
- Communication with customers
- Communication between enterprises
- (Workflow).

Offer destination attractions and services for tourists who plane the trip bring information as a resource for decision making. Destination management can created the complex destination products aimed at the key products of destination for differentiated groups of clients (families with children, recreational athletes, etc.).

Website menu is suggests consisting from: **Order** of enterprises divided on Accommodation, Restaurant, Transport, Sport, Wellness, Culture and Other; **Events, Stays, Accessories**.

Via Internet interface cooperation and communication between the Destination management (Web administrator) and enterprises at time presented information can be actual.

Pictures maps and schemes of destination offer brings **support of propose the stay**.

For small and medium-sized organizations currently paid portal, slovakiguide.sk offers the possibility to operate the online reservation system. Equally well be on the basis of telephone contact for accommodation or other service book. Larger organizations and facilities networks use their own reservation systems.

Such an approach can be considered only as temporary solution, which is certainly not competitive. Destination website with function of reservation system is the only right solution of this situation to customers **accept and confirmation reservation**.

Care the customer before, during and after the stay can be realized by this way.

Unthinkable component of website is FAQ and info@destination.xx which ensure support before customer coming.

Based on the research, realized on a sample of respondents from a group of service providers in the tourism sector in the Pieniny, respondents declared

their willingness to convey information about the enterprises around. About 7% of enterprises presented have no interested in information about other enterprises. About 4% respondents has presented their willingness inform their clients about others enterprises for example trip times and other activities. For population it cannot be reject null hypothesis that proportion enterprises without willingness to inform about other activities at destination is 5%.

In some organizations is being the "good practice" the client that buys services such as accommodation, gastronomy or other activities to direct to taking advantage of the next destination potential - to other organizations offering additional services. It is necessary to expand this mostly friendly approach to clients. Caring for the visitor can be supported by the communication between the enterprises. Daily visitors program usually proceed through several enterprises. Information Systems with the capability to monitor the location and status of the solutions is workflow. Similarly, service providers can monitor the flow of visitors program. **Information Service in the destination**

Website can content from space where customers can share their own impressions (both positive and negative). It is **customer care after returning home**, the satisfaction survey. In fact, the satisfied client is walking advertisement for destination. Client's observations can help to reveal reserves and opportunities in providing services in the destination. A questionnaire completed by clients on the base of statistical evaluation gives response concerning clients' view on different areas. In the longer term, it will offer information on the trend (improvement / decrement) and if its structure is appropriate it will help make advance by future market requirements know. Incentives for organizations may be different competitions within destinations focused on the improvement of the provided services quality together with results presented at the destination's website.

Summary

The paper aimed the opportunities presented by using ICTs at destination management and presentation. Effective using ICT provides the preconditions for the customer satisfaction throughout the entire chain of services.

Destination management can use website to promote individual service providers, creating events, updating the data communication with the future but also with existing customers, which can ultimately improve the coordination of services in the industry.

Disintegrated offer, fragmentation of the market, low level of investment and innovation are among the problems of less developed tourist destinations or destinations with predominance of small and medium-sized enterprises. This fact ultimately predicts insufficient or totally absent (destination's framework strategy of destination), weak chains of services in the destination, the high time for the clients needed to secure reservation service in the destination, the low effectiveness of marketing tools, the small offer's flexibility, weak involvement of organizations of tourism in the destination's pricing policy, the lack of resources spent on market research in the destination management.

In the current standards' level and affordability of ICT there is possible lot of these deficiencies remove. The precondition for success is cooperation between the organizations in the destination and investment in education (so on the part of tourism organizations as well as on the part promoting the development of these organizations, i.e. self government, country). The result should be sophisticated, holistic, effective, and targeted use of always up-to-date (modern) ICT tools, especially the Internet as a communication medium, the source of information and experiences, presentation and promotional medium, decrease of cost by their governing allocation.

Bibliography

1. Wang, Youcheng a Monte Russo, Shirley. Conceptualizing and evaluating the functions of destination marketing systems. *Journal of Vacation Marketing*. 2007, Zv. 13, 3.
2. Statistical Office of the SR: Survey on Information and Communication Technologies Usage in Households in 1st quarter 2009. [online] xx.5.2010 [cited 15.8.2010] available from <http://portal.statistics.sk/showdoc.do?docid=23589>
3. E-BUSINESS WATCH The European e-Business Reports. [online] xx.10.2008 [cited 15.9.2010] available from http://www.ebusiness-watch.org/key_reports/synthesis_reports.htm
4. Palatková, Monika. Marketingová strategie destinace cestovního ruchu. Praha : Grada, 2006. ISBN 80-247-1014-5.
5. SACR: Virtual tours of Slovakia [online] © Copyright © 2005-2009 SACR [cited 21.9.2010] available from <http://www.slovakia.travel/virtualtours.aspx?l=2&p=99&so=-1&sokf=False>;
6. BLAŽKOVÁ, M.: Jak využít internet v marketingu. GRADA Publishing, s.r.o. Praha 2005. ISBN 8024710951, 156 s.

Contacts

Beáta Stehliková

TU of Košice

Faculty of Mining, Ecology, Process Control and Geotechnology

Letná 9 Košice, Slovak Republic

E-mail: Beata.Stehlikova@tuke.sk

Marcela Taušová

TU of Košice

Faculty of Mining, Ecology, Process Control and Geotechnology

Letná 9 Košice, Slovak Republic

E-mail: Marcela.Tausova@tuke.sk

Pavel Horovčák

TU of Košice

Faculty of Mining, Ecology, Process Control and Geotechnology

Letná 9 Košice, Slovak Republic

E-mail: Pavel.Horovcak@tuke.sk

Relationship between Local Population to Cultural Monuments and to Tourists

Kristína Šambronská

University of Prešov in Prešov, Faculty of Management

Abstract

Cultural potential of regions represents an important factor of regional economic development and via cultural travel and tourism it can significantly contribute to the creation of their inhabitants' work opportunities. Cultural potential is above all comprised of cultural heritage, cultural facilities and live cultural events, whether they are professional artistic or folklore performances. The development of travel and tourism is directly and indirectly connected with the employment of cultural heritage and cultural-historical base. This has to be linked with the improvement of cultural sights and heritage maintenance, and the increase of their attractiveness so that travel and tourism and small and medium size businesses in the area of culture would develop.

Key words

Region, cultural monuments, tourism

Introduction

The area of 934 km² has lived in the district of Prešov to 165,613 inhabitants in 2007. It is tourist jewel of architectural monuments in the district of Prešov. The historical center is an urban conservation area

Fig. 1: Map of district Prešov



Source: VUC Prešov

Objective and Methodology of Business

The aim is to analyze the relationship of locals to the town of Prešov cultural monuments, which are located in the district as well as the tourists. Given the size of the target group, we chose a selection of non-probability, (quota) selection, in which each element has a chance to be included in the research. We focused on the family code. Basic research group has 110 respondents. The research was conducted over three months August - October 2008. We approached 154 potential respondents. The questionnaire is divided into four parts. Respondents expressed their opinion on the question of the questionnaire, circling one of the options in the range- certainly not one-to five-definitely yes. Our research involved 57 women and 53 men. Women are 51% of the survey sample, which corresponds to the proportion of women in the total population in the district of Prešov.

Analysis of the problem studied, focusing on the gender factor

The first part of the questionnaire - we focus on the relationship of people to the Prešov district cultural and historical monuments, the public knowledge on cultural and historical monuments (next CHM) as well as their presentation.

We defined the following hypothesis.

Problem 1: There are significant differences in relation to cultural and historical monuments in the region, depending on respondent's gender?

Hypothesis 1: Assuming that there are differences in relation to cultural and historical monuments in the region, men and women.

Table 1: Contingency table - relationship to the CHM in the district

Question / Average Value	Women	Men
Relation to the sights	4,21053	4,0
A major sights of the city of Prešov	4,1579	3,2102
Participation in events in the region	3,2281	3,1887
Young people and monuments	3,14035	3,1132
The share of education to the knowledge of heritage	4,83158	3,19056
Increased activity in the promotion of heritage	4,964912	4,22641

Source: own processing

Based on those averages in scheme 2, it can be concluded that gender has no effect in relation to cultural and historical sights in the region. In both

cases, it can be stated more positive relationship with the cultural and historical monuments in the region. Hypothesis H1 unconfirmed.

The Contingency Table (scheme 2), giving the average respondent's answers to individual questions. Women can identify and bring cultural and historical sights in the region. Men are not entirely sure with their identification. Respondents could indicate specific CHM in the region for which they are proud. Most Solivar was appointed, then Evangelical seminary in Presov and Nicholas church in Prešov. Women have greater agree to benefit education in the education of young people in this area. They can explain the study as control their children, participation in parent associations and the like. Respondents expect a clearly more active in promoting the CHM in the region. According to the gender factor, women expressed a greater degree of agreement than men. Respondents would be able to advise visitors to the region CHM.

The second part of the questionnaire, we focus the impact of the arrival of tourists in the region's development.

Problem 2: There is a difference in attitude to the CHM visitors coming to the region, depending on gender?

Hypothesis 2: We expect the difference in the minds of visitors coming to the region CHM women and men.

Table 2: Contingency table - a general relationship to visitors of CHM.

Question / Average Value	Women	Men
Are you a positive relationship to visitors of the region	4,28070	4,26415
Are you pride in your region?	4,26415	4,09433
Can improve the flow of tourists region's economic situation?	4,1158	4,9433

Source: own processing

Based on the dimensions set out in scheme 3 we can conclude that the respondent's gender plays a significant role in the general statistical perception of the arrival of visitors CHM in the region. Hypothesis H2 is unconfirmed.

Gender has no effect on the CHM perception of participants in the region. Respondents expressed positive attitude towards tourists in the region in general. Contact with visitors CHM in the region strengthens their feeling of pride in the region of origin, possibly live in it. There are differences in

opinion between men and women to the possibility of improving the economic situation in the region as well as the arrival of tourists in the degree of consent. Men expressed a greater degree of agreement than women in scalable terms 5-4 (yes -rather yes).

The third and fourth parts of a questionnaire specify the relationship of locals to national and foreign visitors to the region CHM.

The third part of the questionnaire is focused on specific relationships and views of the people of the region for tourists coming from other regions.

Problem 3: Is there a difference in attitudes towards domestic visitors CHM in the region, depending on gender?

Hypothesis 3: We assume that there is a difference in the minds of visitors CHM (men and women) in the region who come from other regions of Slovakia.

We found that the respondent's gender plays a significant role in the perception of the statistical arrival of domestic tourists in the region. Hypothesis H3 was not confirmed. There is no difference between men and women in relation of visitors who come to the region and visit CHM. It is important that the perception of visitors from other regions of Slovakia is positive (expression rather yes), which is particularly important in the development of tourism in the region.

Again we can say we found a positive attitude towards visitors CHM by indigenous people. Household population does not believe that is unlikely to increase in crime due increased traffic CHM domestic tourism stakeholders in the region.

In the case of the reference factor family, men and women, clearly favor the view that the arrival of visitors from Slovakia does not affect the increase in crime (not). On environmental issues, which in recent years are highly topical, the respondents (the local) can not assess it and comment. They can not state whether participants increased inflows of domestic tourism will cause environmental degradation in the region.

The fourth part of the questionnaire deals with attitudes and perceptions of indigenous people to tourists who come to the region from abroad.

Problem 4: There is a difference in the attitude to foreign visitors CHM in the region, depending on gender?

Hypothesis 4: We assume that there is a difference in the perception of CHM in the region, visitors coming from abroad, men and women.

Table 3: Contingency Table - Foreign visitors / tourists in the region

Question / Average Value	Women	Men
Positive relationship h foreign tourists	2,7985	3,5943
Do you have concerns of tourists from countries linked to terrorism	4,8947	3,8490
Increase traffic to historical monuments in the region, foreign tourists height of Crime	3	2,7735
Increase traffic to historical monuments in the region may worsen the environment	3	2,8679
Visit historical monuments in the region affect the change of our culture	2,1268	2,8302

Source: own processing

Based on those averages in scheme 4, it can be concluded that gender affects the relationship of foreign visitors to the CHM in the region. It is a clearly visible difference in attitude in the region to tourists who come from countries linked to terrorism. According to the gender factor, the men expressed a greater degree of agreement than women who are more cautious on this issue. It concludes that, in the case of foreign visitors CHM, unlike domestic visitors CHM in the region, indigenous peoples perceive sensitive. It can also be inferred more positive than negative attitude towards foreign tourists in the region. In the case of attitudes and to tourists coming from countries linked to terrorism respondents expressed concerns and negative attitudes. Women have expressed concern about a greater degree than men. Hypothesis H 4 was confirmed.

Summary

Changing society and its demands on travel and tourism service providers inevitably leads to the incorporation of new trends into cultural-historical. This involves focused addressing of concrete target groups and motivating them to visit the cultural-historical sights exploiting a suitable form of communication. Changing values of the society, service demands, and competitive pressure (in primary and tied-in branches of TT) and a number of other indicators require modification of communication policy, i. e. application and modification of its tools for a concrete area. In our case the exploitation of the cultural-historical sights in a backward region.

Contact

Ing. Šambronská Kristína, PhD.
University of Prešov, Faculty of Management
Konštantínova 16, Prešov
E-mail: mrvova@unipo.sk

Economic Crisis and Tourism Development in Slovakia

Anna Šenková

University of Prešov in Prešov, Faculty of Management

Abstract

Tourism has been heavily affected by the property and financial crisis. Tourist numbers are continuing to drop almost everywhere in the world. Consumers paralyzed by fear of the crisis are persistently staying at home. Companies and individual travelers considerably cut their expenses on hotel and catering services the consequences of which had serious affect on tourist industry. The global crisis also has a significant influence on Slovak economy and tourist industry. It stopped the high dynamic of development of Slovak tourism in 2006, 2007 and in the first half of the year 2008. The aim of the desk study is analyzing the influence of the global economic crisis on Slovak tourism and hotel industry.

Key words

Tourism, economic crisis, Slovak tourism, Slovak hotel industry

Introduction

In 2008 global tourism marked significant slowdown in most regions of the world, especially in the last quarter of the year when it was hit by the economic recession that affected holidaymakers and business travelers who have reduced their travel and recreation expense. In 2009, the crisis deepened, and it was accompanied by other problems - outbreaking of influenza type H1N1 epidemic, high unemployment and in that time, the strong euro against other world currencies. The financial crisis has also strongly influenced the results of Slovakia.

Adoption of the euro in January 2009 in conjunction with weakened currencies of neighbouring countries (Hungary, Poland, Czech Republic), complicated the situation in the Slovak tourism even more. Tourism in our country calls for systematic change, and it requires to recognize its potential for the national economy. It has all the assumptions to become together with knowledge-based economy the next "leg" on which the economy could stand. Slovak tourism has no leader, or someone who would be able to promote its interests. There is trial to substitute it by professional organizations (eg. Union of Hotels and Restaurants of the Slovak Republic), but their calls towards the

Government remain without any concrete results so far. The real strength is in all developed countries, and tourist regions. Fortunately, businesses and governments in the regions begin to understand that. At the same time it must be said that in addition to the efforts that there certainly is, the next thing can be observed. Many authorities would like to, but do not know exactly how. Although the way how to find that out is just to go to see for example, to neighbouring Austria, where for decades regional structures have been operating. Regional associations and clusters are being established in Slovakia, but they are still mostly at the very beginning, as they are still trying to survive rather than spreading the brand of the region or even creating a competitive product (Matusšíková, 2008). However, hopefully, that is just a matter of time when other regions understand the need to focus their attention on marketing activities of natural destinations in tourism and that it is vitally necessary to identify the correct model of financing of these activities.

Manifestations of the Global Economic Crisis in the Global Hotel Industry

Hotel performance in the first and second half of 2008 has developed quite successfully. During the first half of 2008, most regions of the world has recorded in monetary terms (U.S. \$), double-digit growth, and it seemed that hoteliers would survive global economic crisis. Since the summer, however, consumer confidence has decreased, which began affecting tourism negatively. In the last quarter of 2008, an indicator of revenue per available room (revPAR - Revenue per Available Room) in many regions fell into negative numbers. According to the report, issued quarterly by the Consulting Firm Deloitte (2010) in the period from January to September 2009 performance of hotels across Europe decreased. Revenue per available room (revPAR) in European hotels fell by 19, 2% to 58 EUR. This decline caused 12.3 per cent fall in average prices per room to 94 EUR at the current decline in occupancy to 61.6%.

Average prices for hotel accommodation in 2009 were the lowest in the last six years. This is the result independently of each other of two Internet portals Hotels.com and Trivago. According to Hotels.com, the prices were four percent lower than in 2004, when monitoring began with the portal. Hotels.com processed by its own terms, prices actually paid by guests in the 94-thousand hotels, Trivago turn was based on questionnaires on prices - that was 160 thousand daily. Hotel prices went down worldwide in 2009, compared to 2008 by 14 percent. In Europe, by 13 percent, 16 percent in Asia and Latin America by 21 percent - but there was a decrease not only due to

economic recession, but also because of swine influenza in the main holiday destination in Mexico. The prices in scheduled 19 European countries fell more than those in the UK (-13%), they rose the most in France (+ 5%). In real figures, this means that the country with the most expensive hotels is Switzerland, where guests pay per night in double room 135 EUR on average. The cheapest rooms are on the contrary in the Czech Republic, where a room cost an average of 71 EUR per night last year (-8% compared to 2008). By comparison, in Poland, a room cost 72 EUR (-6%), in Hungary 78 EUR (-3%) and in Austria 94 EUR (-7%) (Horváthová, 2010). Bratislava recorded decrease of 40.6% and 42.6% occupancy according to variable revPAR. The average price per room in Slovakia during the period from January to September 2009 stood at 86 EUR, while in 2008 was over 100 per night (Horváthová, 2010). In the first quarter of 2010 there was a further reduction of 16.7% to 77.36 Euros. There is a visible of almost 25% decrease from the outbreak of the crisis (Deloitte, 2010).

Mr. Alex Kyriakidis (In Karaffová, 2008), Global Managing Partner for Tourism, Hospitality and Leisure at Deloitte said: "The world is now dealing with one of the most significant economic slowdowns in modern times and some European countries are being affected more than others. It's clear that occupancy is dropping in most cities and from past experience, average room rates generally follow. There is no end in sight of this global recession. The hotel operators will be focusing on value for money more than ever before. There will be cannibalization across the segments as consumers become much more budget conscious."

The Impact of the Global Economic Crisis on the Development of Tourism in Slovakia

On the basis of data from the Ministry of National Economy (2010), it is evident that since November 2008 up to now there has been fewer foreign visitors. This is the evidence of the crisis and profitability of accommodation and boarding facilities went down. For example, the number of registered guests in accommodation facilities lowered by 3,9 % from Hungary, by 16, 6% from Ukraine and by 6,5 % from Germany in 2009. At the end of the year 2008, tourism was also unfavorable influenced except the coming crisis, by the high value of Slovak crown. and boarding facilities went down. For example, the number of registered guests in accommodation facilities lowered by 3,9 % from Hungary, by 16, 6% from Ukraine and by 6,5 % from Germany in 2009. At the end of the year 2008, tourism was also unfavorable influenced except the coming crisis, by the high value of Slovak crown. and

boarding facilities went down. For example, the number of registered guests in accommodation facilities lowered by 3,9 % from Hungary, by 16, 6% from Ukraine and by 6,5 % from Germany in 2009. At the end of the year 2008, tourism was also unfavorable influenced except the coming crisis, by the high value of Slovak crown. Consequently, the influence of the Euro, currency devaluation source markets (Czech Republic, Poland and Hungary) and global economic crisis caused in the first quarter of 2009 the decrease of performance in the tourism sector in Slovakia by 30%. Overall in 2009, 3,381,354 visitors were accommodated in hotel facilities in Slovakia, that means the decline from 2008 to 17.2%. There were 1,298,075 foreign visitors (a decrease from 2008 to 26.5%) and domestic visitors 2,083,279 (a decrease of 10.1%) (MoE, SR 2010). Overview of the number of visitors from selected countries is shown in the table below.

Table 1: Foreign visitors from selected countries in accommodation establishments of tourism for the years 2009/2008

COUNTRY	2009	2008	INDEX 09/08
Czech Republic	425 414	537 180	79,2 %
France	34 045	43 958	77,4 %
Hungary	56 111	90 123	62,3 %
Germany	133 989	164 694	81,4 %
Poland	164 712	308 437	53,4 %
Austria	50 065	62 052	80,7 %
United Kingdom	42 315	66 628	63,5 %
Ukraine	20 618	28 858	71,4 %

Source: Our own processing according to the Slovak Statistical Office

In the High Tatras in 2009 in comparison with 2008 almost a fifth fewer visitors were accommodated - 357,000, while in 2008 there were over 440 thousand. The number of people decreased significantly especially from abroad - more than a third, but there was the decline of the Slovaks - 7.5%, as well. Guests travelling to the Tatras were discouraged especially by the global economic crisis, but also the introduction of the Euro currency against which the surrounding ones have weakend. Because of smaller number of tourists entrepreneurs' income from accommodation in tourism dropped. Last year, hoteliers achieved turnover of 24.9 million Euros, a year before it was more than five million Euros more. The slight decrease in prices for housing contributed lower revenues (the Statistical Office, 2010). "The year 2008 was considered good in the Tatras, the crisis has changed everything, and deeply

affected the tourism sector," said Director of the Association of Tourism in the High Tatras Peter Chudý (2010). The only positive fact according to him was that the stay of tourists in the mountains is slightly longer (average length of stay was more than four days). Among the foreign visitors in the High Tatras still people from the Czech Republic prevail. Followed by guests from Poland, Germany and Hungary. The other countries are South Korea, Ukraine and Russia. In the Tatra region 296 accommodation facilities were operating, with over 14,000 beds (Statistical Office, 2010) in 2009.

High margins and profits are gone and the next years are uncertain - this is the consequence of the financial crisis on Slovak hotels. In the capital of Slovakia, Bratislava, two crises have merged. Up to now Bratislava hotels were oriented at corporational clientele which made up to 80% chiefly in high category hotels. As even big corporations and companies save money on travelling of their workers, their number has significantly fallen down all over the world. The paradox is that in Bratislava the decrease of clients has been combined with the increase of the number of hotels. Several hundred hotel beds have been added to the existing ones and this year some growth is also expected. Hotel boom is the result of the past years when the demand was higher than the offer and the prices in Bratislava hotels were higher than in Prague and Vienna hotels. High profits have become a great temptation for investors. It resulted in hundreds of new hotel beds.

The combination of financial crisis and the enlargement of the number of new beds have caused a significant loss of clients in Bratislava hotels. The hotel occupancy rate has dropped by half comparing with the last year. It reaches 25-35 %. For a hotel keeper the 45% hotel occupancy drop is considered fatal. According to the statistics of the company Deloitte Touche Tohmatsu in 2007 the average hotel occupancy rate in Bratislava hotels was 64.4%. In 2008 it dropped to 59.3%. In January 2009, however, it was only 35.6% (in January 2008 it was 51.4%). In the first quarter of 2010, the largest hotels in Bratislava attracted even less visitors than in 2009. Hoteliers, however, had to cut prices significantly and their average yields are so much lower than in previous years (Deloitte, 2010). Revenue per available room (revPAR), which is a key indicator in the sector within hotels in Bratislava in the first quarter of 2010 fell year on year to about 17% to 28.16 Euros. For example, back in 2008, the average yield at the end of March was nearly double of 54.39 Euros. As the Wolda Grant (2010) from Deloitte Slovakia declares: "Bratislava is the typical example of the city where it is impossible to blame all of the economic situation. Great impact onto the fall is also a dramatic increase in supply in recent years, especially in the higher class

hotels. An important question is whether continued price cuts will lead to attracting additional customers and a rise in total sales”.

Table 2: The performance of hotels in Slovakia from January to September 2009 (in Euros)

	Occupancy (%)		Change (%)	Average price pre room		Change (%)	RevPAR		Change (%)
	2009	2008		2009	2008		2009	2008	
Slovakia	40,2	58,8	-31,6	87	99	-12,1	35	58	-39,9
Bratislava	42,6	60,7	-29,8	86	101	-15,3	37	61	-40,6

Source: www.deloitte.com

Crisis struck particularly the unprepared, who do not have their own strategy, relying more on others and less on themselves. Entrepreneurs in tourism have been and still are forced to rationalize their own expense, such as limiting hours of operation of their facilities and reducing the number of staff.

In the past years hotels have enjoyed a profit rise while in the present circumstances they have to compare their profits with the market. If they fall more slowly than the market, it is a good sign that measures which have been taken are appropriate. The universal solution how to survive does not exist. Each hotel will have to rely on itself. The first step is to reduce the costs. The hotel management has to realize that costs reduction must not affect the quality. The present situation will not last forever; a revival may come earlier or later. A hotel keeper has to bear in mind that an unsatisfied guest never comes back again. It is advisable then not to take short-term measures since they become counterproductive from the long-term point of view.

Summary

The global crisis in financial markets has caused, and still is causing a variety of economic, social and political effects in all countries. The economic recession has had a significant impact on hotel industry worldwide. In any case, now the signs of improvement can be observed in some major cities of Europe. But no one knows with precision the impact of other factors that might be different from economic recession. An example can be the recent volcano eruption in Iceland, problems in financial markets due to long-term problems in Greece, or strengthen the dollar rate or weakening o Euro, or vice versa. It also has a significant influence on Slovak tourism and hotel industry. On the basis of available information we carried out a serious

analysis and state that dynamic development of tourism in 2006 – 2007 was stopped by the crisis. Profitability of accommodation and boarding facilities went down as fewer foreign tourists and visitors from neighboring countries arrived in Slovakia. The representatives of the Union of Hotels and Restaurants in Slovakia urge that the system of change has to be introduced and ask for acknowledgement of potential of tourist industry in the national economy. The Union of Hotels and Restaurants in Slovakia state that the current situation in Slovakia is caused not only by the deepening crisis, but also by long-term unsolved essential problems of Slovak tourism. Slovakia does have a strong potential to become a new European destination. With the help of promoting programs of the EU, the country can finish construction of its infrastructure and create new products, both for foreign and home guests. Missing these opportunities are considered to be the worst threat in tourist industry in Slovakia.

Bibliography

1. HORVÁTHOVÁ, J. 2010. Hotely už lacniet' nebudú. [online].[cit. 2010-05-31]. Dostupné na internete:<<http://relax.etrend.sk/relax-hotely/hotely-uz-lacniet-nebudu-2.html?print=1>>
2. HORVÁTHOVÁ, J. 2009. Hotely v zlých časoch. [on-line]. [cit. 2009-10-27]. Dostupné na internete: <<http://relax.etrend.sk/relax-hotely/hotely-v-zlych-casoch.html>>
3. [http://www.deloitte.com/prin/sk_SK/sk/spravodajstvo/tlacovespravy/6cc590287053 ...](http://www.deloitte.com/prin/sk_SK/sk/spravodajstvo/tlacovespravy/6cc590287053...)
4. <http://www.economy.gov.sk/rok-2009-2008/132728s>
5. <http://portal.statistics.sk/showdoc.do?docid=27>
6. <http://www.zhsr.sk/images/HM19.pdf>
7. KARAFFOVÁ, D. 2008. European hotel performance affected by financial crisis. [on-line]. [cit.2010-05-31]. Dostupné na internete: <http://www.deloitte.com/print/en_Sk/sk/press/sk-press-releases-en/abc655baf100121...>
8. MATUŠÍKOVÁ, D. 2008. Celosvetové problémy v cestovnom ruchu. In: Zborník príspevkov z medzinárodnej konferencie Výsledky vedeckej práce študentov doktorandského štúdia MEKON 2008. 1. vyd. Ostrava : VŠT – Technika univerzita Ostrava, 2008. 175 s. (+CD) ISBN: 978-80-248-1704-0
9. TALAROVICOVÁ, V. 2009. Podpora cestovného ruchu na vládnej úrovni. In 3rd International PhD. Conference Young Scientists 2009 : proceedings [CD-ROM]. Herľany : Technical University of Košice, Faculty of Economics, 2009. p. 469-476. ISBN 978-80-553-0296-6

This article is published as one of the outputs by the research grant VEGA project No. 1/0876/10.

Contact

Ing. Anna Šenková, PhD.
The Prešov University in Prešov
Faculty of Management
Department of Tourism and Hotel Management
Konštantínova 16, 080 01 Prešov
E-mail: senkova@unipo.sk

Importance of Development the Wellness Tourism

Valéria Talarovičová

University of Prešov in Prešov, Faculty of Management

Abstract

The term „wellness” has become very popular and common and is often used by the suppliers working in tourism industry as well as by the tourists. But it's necessary to realize that the wellness tourism is an important sector of health tourism with its own specific features and requests needed to be known for its further development. Minutely and increasing interest of tourists forces the growth of spas and wellness tourism to the spotlight of contemporary world tourism with a great potential for the expansion also in Slovak republic.

Key words

Tourism, health tourism, wellness tourism

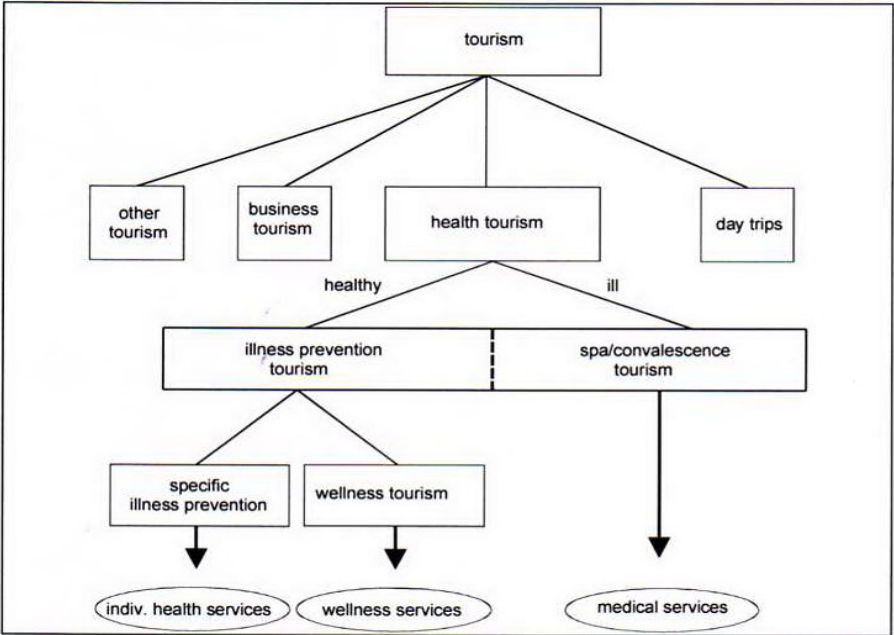
Introduction

In today's climate, healthcare has become a global market, with emerging, developing and developed nations competing for health tourists. Consequently, the political interest in health and medical tourism is based on the financial benefits it can bring. Such economic incentives for the state has also lead to increasing options for medical tourists, who have more disposable incomes and in some cases portable health insurance policies. (Cook, 2008)

Positioning of Wellness Tourism in Tourism Structure

Health tourism as one of the most important forms of tourism worldwide is a very broad category that encompasses a wide variety of treatments and services as illustrates the Figure 1.

Fig. 1: Demarcation of wellness tourism in terms of demand (Mueller, Kaufmann, 2001, page 4)



Types of health and medical interventions have considerably diversified, ranging from superficial treatments (such as facials and massages) to highly invasive and risky surgical procedures (such as open heart surgery) and, in some cases, a combination of both (for example cosmetic tourism, which encompasses cosmetic and reconstructive surgery and some forms of dentistry). (Cook,2008)

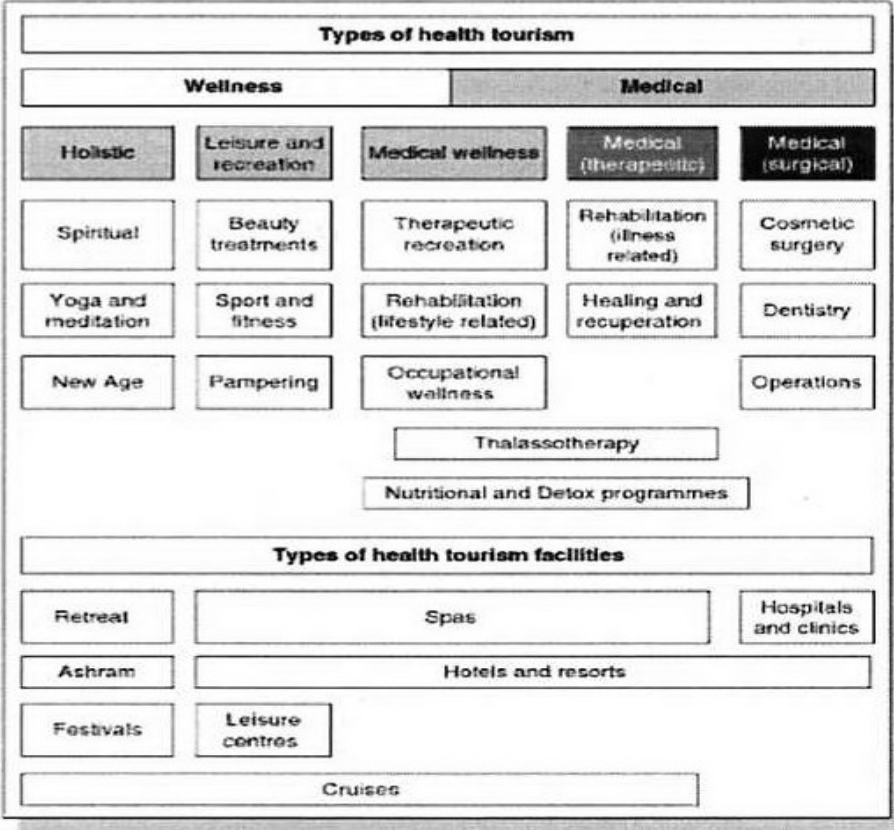
According to Kaspar, health tourism is "the sum of all the relationships and phenomena resulting from a change of location and residence by people in order to promote, stabilize and, as appropriate, restore physical, mental and social well-being while using health services and for whom the place where they are staying is neither their principle nor permanent place of residence or work". (Mueller, Kaufmann, 2001, page3)

In such understandings, medical tourism becomes a subset of health tourism. There is an obvious difference between health and medical tourism. While health tourism identifies with general health and wellbeing, medical tourism combines tourism with medical, surgical or dental intervention to improve or restore health in the long term. Therefore, health and medical

tourism are differentiated by the level of surgical and physical intervention on the tourist's body. (Cook, 2008)

Wellness tourism is regarded as a subcategory of health tourism. Figure 2 demonstrates the wide range of health and wellness products and facilities which have emerged in recent years. (Smith, Puczkó, 2009)

Fig. 2: Spectrum of Health Tourism. (Smith, Puczkó, 2009, page 7)



The health and wellness tourism industry, broadly defined, includes products and services made accessible to people travelling from their place of residence for health reasons. In addition to conventional healthcare (medical), this definition encompasses health & wellness, spa tourism, convalescent addiction treatment, retirement communities, and some alternative health services. Wellness spas are further categorized as destination spas and medical

spas – where the health and wellness properties of the location are ideal for access to medical services, fitness programmes and resort amenities. (CSME)

Wellness Tourism

Wellness is supposed to create harmony in mental, physical, spiritual, or biological health in general and has stronger ties with changing lifestyle or doing something healthy than with curing a specific disease. People consuming wellness services tend to show higher health awareness than others. They are eager to do something for a healthier lifestyle, they are conscious about their nutrition and often do physical exercise. (Smith, Puczkó, 2009)

The concept of "wellness" – and along with it wellness philosophy – was developed by the American doctor Halbert L. Dunn in 1959 when he wrote for the first time about a special state of health comprising an overall sense of well-being which sees Man as consisting of body, spirit and mind and being dependent on his environment. Dunn called this condition of great personal contentment "high-level wellness" (Holzner, 2010)

Definitions of wellness

Witmer defines wellness as being ‘a way of life oriented toward optimal health and well-being in which the body, mind, and spirit are integrated by the individual to live more fully within the human and natural community’. (Smith, Kelly, 2006)

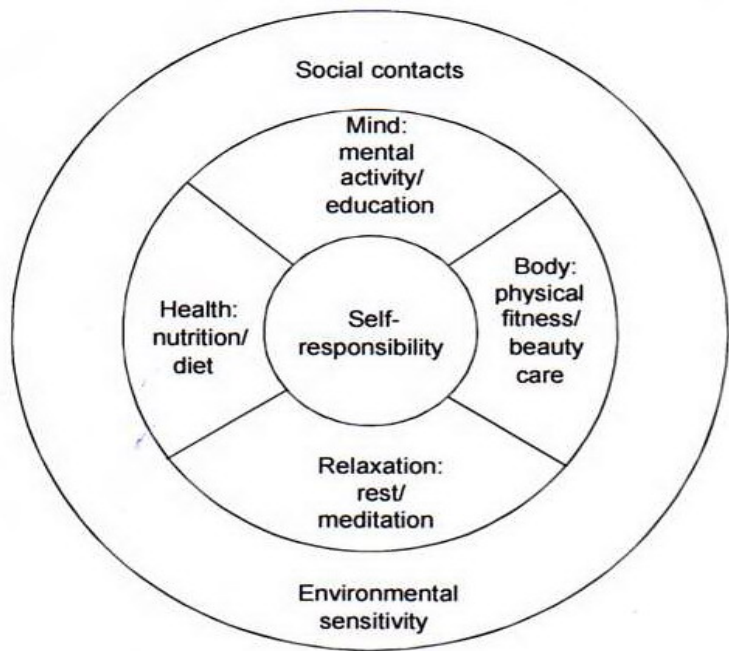
Wellness tourism is the sum of all the relationships and phenomena resulting from a journey and residence by people whose main motive is to preserve or promote their health. They stay in a specialized hotel which provides the appropriate professional knowhow and individual care. They require a comprehensive service package comprising physical fitness/beauty care, healthy nutrition/ diet, relaxation/meditation and mental activity/ education. (Mueller, Kaufmann, 2001)

Adams (2003) refers to four main principles of wellness:

- 1) Wellness is multi-dimensional;
- 2) Wellness research and practice should be oriented towards identifying causes of wellness rather than causes of illness;
- 3) Wellness is about balance; and
- 4) Wellness is relative, subjective or perceptual.

Puczkó and Bachvarov similarly refer to seven dimensions of wellness: social, physical, emotional, intellectual, environmental, spiritual and occupational. (Smith, Kelly, 2006, page 2)

Fig. 3: Expanded Model of Wellness (Mueller, Kaufmann, 2001)



It is clear that wellness is a multidimensional concept which incorporates aspects of both physical and mental health, as well as environmental and social factors. In the past, there was much more emphasis on curing health problems through conventional or traditional medicine prescribed by a doctor, whereas in recent years, it has become more common to try to maintain a healthy lifestyle and prevent illnesses, often using self-prescribed methods. The burgeoning wellness industry offers individuals body, mind and ould. (Smith, Puczkó, 2009, 59)

In terms of demand, all wellness tourists are self-aware, active seekers of enhanced well-being, health and happiness. Of course, wellness is not a static concept and is subjective and relative, thus always in flux. The needs of wellness tourists will clearly vary enormously at different times and stages of their lives. (Smith, Kelly, 2006)

Figure 4 represents different kinds of tourists' motivations who participate at wellness tourism as well as wellness equipments.

Table 1: Dimensions of Wellness Tourism (Smith, Kelly, 2006 page 3)

<i>Tourist Motivation</i>	<i>Typical Locations/ Activities</i>
Medical/ Cosmetic	e.g. hospitals, clinics
Corporeal/ Physical	e.g. spas, massage, yoga
Escapism and Relaxation	e.g. the beach, the spa, mountains
Hedonistic/ Experiential	e.g. festival spaces
Existential and Psychological	e.g. holistic centres focused on self-development and philosophical contemplation
Spiritual	e.g. pilgrimage, New Age events, yoga retreats
Community-oriented	e.g. voluntary work, charity treks, holistic centres

The concept of wellness clearly means different things in different contexts and countries. There is an increasing globalization and hybridization of wellness products, whereby eastern philosophies and traditions infiltrate western contexts. Visitors still find it difficult to anticipate what kind of services they are likely to experience at a health or wellness destination or site, so labeling and marketing are extremely important. It is worthy to mention the fact that the tourists are prepared to travel long distances to experience different forms of health and wellness activities. (Smith, Puczkó, 2009)

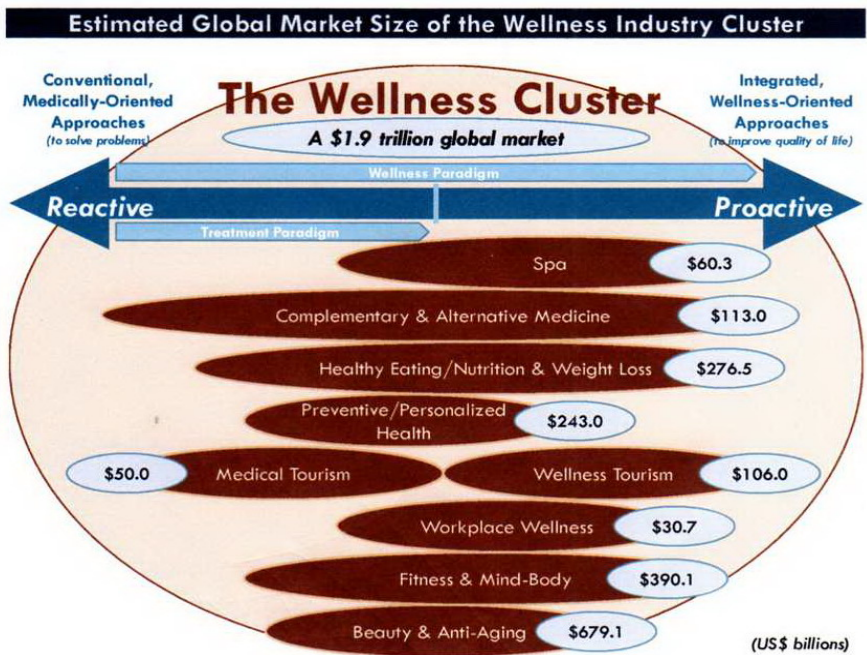
Wellness Tourism in Statics' Numbers

SRI (Stanford Research Institu) has developed for this study a model of the wellness industry that includes nine industry sectors, and each sector is depicted along the wellness continuum. SRI estimates conservatively that the wellness industry cluster represents a market of nearly \$2 trillion dollars globally. All of the wellness sectors have direct market interactions with the core spa industry, and they present high-potential opportunities for the spa industry to pursue new wellness-oriented business ventures, investments, and partnerships beyond the menu of products and services traditionally offered at spas.

These nine sectors are the follows and Figure 5 represents them: Spa, Complementary & Alternative Medicine, Healthy Eating/ Nutrition & Weight Loss, Preventive/ Personalized Health, Medical Tourism, Wellness Tourism, Workplace Wellness, Fitness & Mind-Body, Beauty & Anti-Aging.

Wellness consumers market is already large and growing. In fact, SRI estimates that there are already about 289 million wellness consumers in the world's 30 most industrialized and wealthiest countries. (SRI, 2010, iii)

Fig. 4: Estimated Global Market Size of The Wellness Industry (SRI, 2010, iii)



Summary

Wellness has become one of the fast growing and the most popular tourism industry in the world. The consumer market for wellness is large and the potential market is even larger. Unfortunately, the wellness sector is often viewed with some suspicion, seen as unorthodox or esoteric. This is partly because it is largely unregulated and unspecified. The current diversification of this sector is, therefore, a welcome development and one which is worthy of close observation and dedicated research. In Slovakia we have a great potential for development of this sector but the research and classification and diversification of spa and wellness services are needed.

Bibliography

1. Cook, P.S.: What is health and medical tourism? Humanities Research Program-Queensland University of Technology. In: The annual conference of the Australian Sociological Association, The University of Melbourne, Australia. 2008. [online] [cit. 2010-02-18] <<http://eprints.qut.edu.au/16804/2/c16804.pdf>>
2. Holznér, J.: Wellness Definition In: Talarovicová, V. et al.: Spa Tourism Textbook- IP 2010. Prešov: University of Prešov in Prešov, 2010. 127 pages. ISBN 978-80-555-0182-6
3. Mueller, H. – Kaufmann, E.L.: Wellness Wellness Tourism: Market analysis of a special health tourism segment and implications for the hotel industry. In: Journal of Vacation Marketing, Vol.7, No. 1, 2001. [online] [cit. 2010-03-26] <http://www.lanz-kaufmann.ch/doc/pub_art_vacationmeeting.pdf>
4. Health & Wellness Tourism. Ten Strategies for Success within the Caribbean Single Market & Economy (CSME) by Caribbean Export Development Agency in corporation with TFO Canada – Experts in trade for developing countries, 2008.[online] [cit. 2010-02-18] In the text specified as CSME <<http://www.onecaribbean.org/content/files/10StrategySeriesHWFINALCbbnExport.pdf>>
5. Smith, M.- Kelly, C.: Wellness Tourism. In: Tourism Recreation Research, Vol. 31, No. 1, 2006. [online] [cit. 2010-03-03] <<http://www.ferdamalastofa.is/upload/files/wellness.pdf>>
6. Smith, L. – Puczkó, L.: Health and Wellness Tourism, 2009. UK: Butleworth-Heinemann an imprint of Elsevier, pages 400. ISBN 978-0-7506-8342-2
7. Stanford Research Institute International: Spas and the Global Wellness Market: Synergies and Opportunities. Global Spa Summit, May 2010. [online] [cit. 2010-06-20] <http://www.globalspasummit.org/images/stories/pdf/gss_spasandwellnessreport_final.pdf>

Contact

Mgr. Valéria Talarovičová
Katedra turizmu a hotelového manažmentu
Konštantínová 16, 08001 Prešov
E-mail: talarovicova.unipo@hotmail.com

5. Ethical, Legal, Cultural, Environmental and Psychological Aspects of Management

Economic Advance of the Regions in the Slovak Republic as a Determinant of Waste Management Efficiency¹

Peter Adamišín – Emília Huttmanová

University of Prešov in Prešov, Faculty of Management

Abstract

Waste production and subsequent waste management is more and more serious environmental problem in our current society. Industrialization leads to larger degree of environmental degradation and therefore there is increasing request of the efficiency of waste management. In the present contribution we evaluate, whether exists the relationship between regional economic advance and effectiveness of waste management realization (evaluated by chosen indicators) on the regional level in the Slovak Republic.

Key Words

waste management, municipal waste, regional development

Introduction

Wastes presented one of the main problems of environmental pollution, at these days. With rapid growth of production and consumption is growing not only excessive exploitation of natural resources, but is growing also the quantity of wastes which are imported into environment. Rate of waste production is greater than its treatment. Wastes results from every human activities, in the in the sector of production as well as in the sector of consumer. Their creation and accumulation is a significant intervention into the environment, especially these activities have influence to water quality, air and soil quality, and may become a possible factor in reducing the region's prosperity (Kotulič, 2006).

Waste is able to penetrate to the plant through the food chain and endanger the human health and health of animals (Andrejovský, 2000). Correct treatment and waste management is therefore becoming as an important issue as ensuring of basic needs for life (Andrejovský – Dušecinová, 2001). Within the context of entrance of Slovak Republic to European Union (Bajus – Stašová, 2002) is necessary solve also waste problems more comprehensive

¹ This article is published as one of the outputs by the grant No. APVV- 20-060805, APVV- LPP-0211-09, VEGA 1/0403/09 and KEGA 384-001PU-4/2010

with emphasis on the effectiveness of inputs spent (Naščáková – Liberko – Turisová, 2005).

The Main Aim and Methodology

The growth of environmental awareness is often connected with previous environmental damage as a result of anthropogenic activities. Environmental degradation is the result of industrialization and its negative externality. The most often positive externality is a growth in living standards of society.

We could suppose, that in the frame of the growth of economic advance will increase also the interest in solving of environmental problems and will increase social pressure to effective environmental management. Accepting this axiom we could suppose coherency between economic advance of regions, and effectiveness of environmental management measures

Because of the fact that the issue of environmental management is a very broadly conceived theoretical and practical field, in the analysis we focused only on one of the partial areas of environmental management – waste management. Therefore we suppose – on the level of regions in the Slovak Republic (NUTS III regions), that there is better realization of the waste management activities in the more advanced regions, compared with the regions, which have not high level of economic advance. In the analysis we used secondary data obtained from the Statistical office of the Slovak Republic.

In the process of evaluation of economic advance we resulted from the four relevant macroeconomic indicators: GNP per capita of the region, the net average monthly wage in the region, the amount of foreign direct investment in the region and the level of average unemployment rate. Data objectification for the regions was achieved by averaging the values of individual indicators over the last eight years.

Integration of regional groups to more and less developed regions, we carried out cluster analysis using statistical software trial version NCSS2007. To verify the quality of the clusters was verified cofenetic correlation coefficient.

Chosen indicators of the efficiency of waste management at the regions of Slovakia were: the amount of municipal waste in kg per capita of the region and year, the amount of recovered municipal impact in kg per capita for the region and the number and disposed kg per capita in the region and year, the proportion of recovered municipal impact proportion of recovered municipal waste composting and the proportion of recovered municipal waste as

secondary raw material. The values of the indicators were measured from the regional database and the Statistical Office is the average for the years 2002-2008.

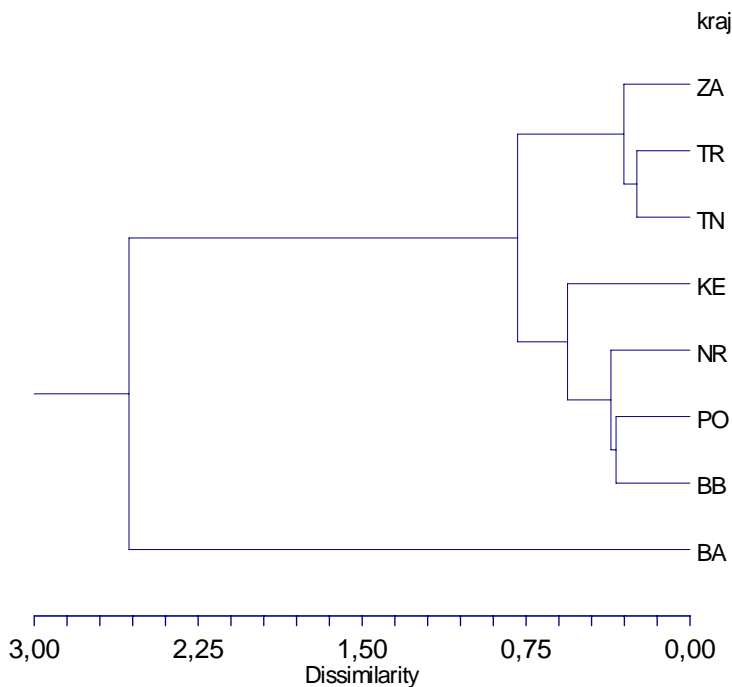
We assume that the growing advance within the economic causes increased production of municipal waste, but how it affects the actual development of more environmentally aware company. Checking to make sure this assumption is valid in conditions of Slovakia.

The processing of the analysis we also NCSS statistical software, solutions were also used SPSS v.18 for correlation analysis.

Results

Clustering of counties by their economic advance has led to following results.

Fig. 1: Dendrogram of economic advance of the regions

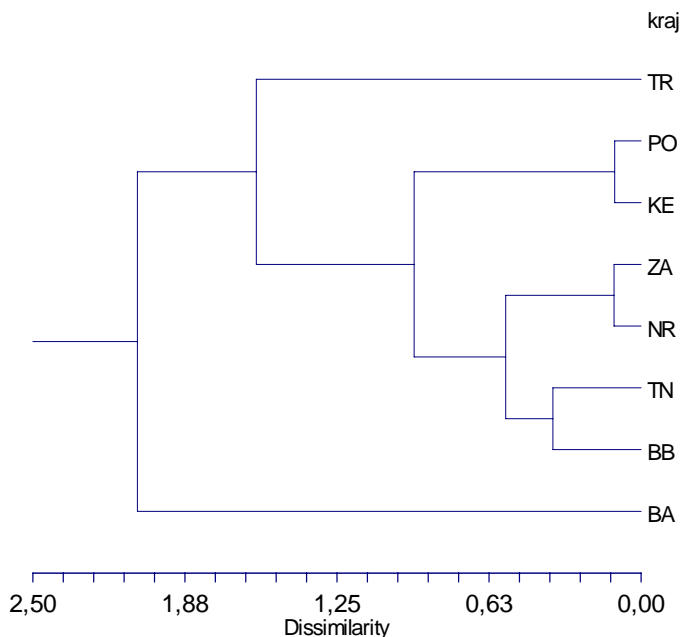


Achieved consideration the correlation coefficient ($CC = 0.979779$) shows the high quality of the cluster. Quite clearly we identify two clusters of regions with a cluster consists of only one region - the Bratislava region and

other regions constitute the second cluster. The dominance of the Bratislava region in the economic field is evident in the shape and distance of dendrogram connecting this region to other region. Other regions can also be divided into more and less economically developed, but this division is justified to the possible elimination of the Bratislava region. The group of economically more developed regions is Žilina, Trenčín and Trnava region, the group is less developed regions of Nitra, Banská Bystrica, Prešov and Kosice region.

Assuming that economic advance regions determines the production of municipal waste, then the course of dendrogram, which clusters regions with similar per capita waste production of the region should be similar.

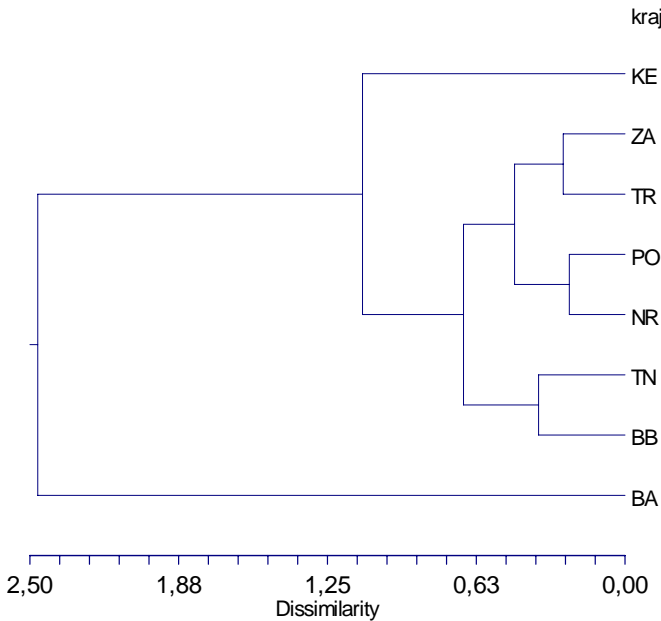
Fig. 2: Clusters of regions according to the production of municipal waste per capita of the region



The obtained cluster is also high-quality output ($CC = 0.901641$), but the shape of dendrogram is not the result of clustering regions according to their economic activity. We could therefore assume that increased economic sophistication affect the production of more waste.

Similar findings come if the value of aggregating regions the proportion of municipal waste recovery

Fig. 3: Clusters of regions according to the proportion of municipal waste recovery



In this case, also, we obtain reliable output ($CC = 0.966031$), but the course of dendrogram corresponding to the division of regions by economic performance.

In both cases, although clearly more marked dominance of the Bratislava region (which is in line with our assumptions about the economic performance impact on waste production and the efficiency of waste management), but in other regions, this process is ambiguous.

Results of cluster analysis with an indication of cluster members accelerated significantly above average (++), (+) and below-average members of a cluster of (-) summarizes the table.

region /indicator	economic advancement of the region	production of municipal waste	proportion of municipal waste recovery
BA	++	++	++
BB	-	-	-
KE	-	-	+
NR	-	-	-
PO	-	-	-
TN	+	-	-
TR	+	+	-
ZA	+	-	-

In contrast to the clusters of regions by economic performance, the other two analysis was not possible to unambiguously (except Bratislava region) to talk about the other two clusters. Creating although the group of regions (Banská Bystrica, Nitra and Presov), which are below average in all three groups of monitoring indicators, but also in view of the ambiguous course of the next group of counties not clearly say that increased economic activity of regions leads to increased waste production ik efficient management of waste. Important role in the selection of regions into clusters has been, the unusual situation of Slovakia, Bratislava region.

To realize the conclusions of an objectified correlation analysis, where the economic sophistication of the region is represented by GDP per capita of the region than the sum of economic variables. Economic indicators and indicators of effectiveness of waste management for the individual regions are again averaged over the entire period. Due to the fact that some parameters analyzed, we had rejected the hypothesis of normal distribution (eg, per capita GDP of the region), a correlation analysis was conducted using Kendall coefficient.

Results of correlation analysis capture the table

Table 1: Analysis of relationship between economic advance of region and indicators of municipal waste management

Correlations

			GDP per capita
Kendall's tau_b	municipal waste in kg per capita	Correlation Coefficient Sig. (2-tailed) N	,571* ,048 8
	recovered municipal waste in kg per capita	Correlation Coefficient Sig. (2-tailed) N	,643* ,026 8
	disposal of municipal waste in kg per capita	Correlation Coefficient Sig. (2-tailed) N	,286 ,322 8
	percentage of recovered municipal waste	Correlation Coefficient Sig. (2-tailed) N	,143 ,621 8
	percentage of recovered municipal waste by composting	Correlation Coefficient Sig. (2-tailed) N	-,429 ,138 8
	percentage of recovered municipal waste as a secondary raw material	Correlation Coefficient Sig. (2-tailed) N	-,214 ,458 8

*. Correlation is significant at the 0.05 level (2-tailed).

Statistically significant relationship between economic parameters and an indicator of management efficiency, waste, respectively. aggregates production of municipal waste has been confirmed only in rare cases. Is a conclusive relationship between per capita GDP of the region and per capita production TC region ($p = 0.048$) and the per capita GDP of the region and the quantity recovered in the KO population here. Value of the correlation coefficients achieved, however, show only a slight connection.

Achievements can be greatly influenced by the dominance of the Bratislava region. Repetition of the analysis but not with abstracted data from this region

led to the following results (in relation to irrecusably hypothesis of normal distribution file was applied Pearson's coefficient)

Table 2: Analysis of relationship between economic advance of region and indicators of municipal waste management (except Bratislava region)

Correlations

		GDP_per_capit a_except_BA
municipal waste in kg per capita	Pearson Correlation Sig. (2-tailed) N	,701 ,079 7
recovered municipal waste in kg per capita without BA region	Pearson Correlation Sig. (2-tailed) N	,365 ,420 7
recovered municipal waste in kg per capita without BA region	Pearson Correlation Sig. (2-tailed) N	,688 ,087 7
percentage of recovered municipal waste without BA region	Pearson Correlation Sig. (2-tailed) N	-,319 ,486 7
percentage of recovered municipal waste by composting, without BA region	Pearson Correlation Sig. (2-tailed) N	-,369 ,415 7
percentage of recovered municipal waste as a secondary raw material, without BA region	Pearson Correlation Sig. (2-tailed) N	,404 ,369 7

After elimination of data for the Bratislava region we can even more confidently say that the economic advance of the region (SR) don't determine activities in the production of municipal waste and its effective management. In neither case was not made a conclusive result that would take us to different conclusions.

Summary

In the present contribution we analyze whether the different economic regions determines the advance of the different attitudes towards waste management. Using secondary data for a longer period of time watching aggregating counties into groups according to selected economic indicators and indicators for waste management. We also regard the correlation between selected parameters.

We found that the SR cannot be said that the advance of different economic regions determines their different approaches to waste management, its effectiveness and no significant differential in the production of municipal waste at the edges. This finding contradicts the generally accepted claims that in varying conditions SR production of municipal waste at the county automatically associated with the level of GDP per capita of the region (Municipal waste management in the brief description, 2008). With the growth of per capita GDP growth, while the production of municipal waste, but this increase does not increase in proportion of GDP (the economy and the creation of municipal waste in 2008) or different levels of gains at the county and even unrelated to the effectiveness of implemented waste management backup for effective management recovery of household waste.

Bibliography

1. Andrejovský, P. – Dušecinová, A. 2001. Negatívne externé efekty vo vzťahu k prírodnému prostrediu. In: X. vedecké sympóziu s medzinárodnou účasťou o ekológii vo vybraných aglomeráciach Jelšavy - Lubenika a Stredného Spiša. Košice : Slovenská banícka spoločnosť ZS VTS, 1999. ISBN 80-88985-51-X, s. 201-204.
2. Bajus, R. - Stašová, L. 2002. Ekonomické aspekty integrácie, In: Zborník z medzinárodnej konferencie Národná a regionálna ekonomika IV v Herľanoch, Ekonomická fakulta TU Košice, 2002, s. 69-75, ISBN 80-7099-923-3.
3. Bednárová, L., Liberko, I. 2008. Environmental benchmarking and benefit of performance benchmarking in firm management. In Management 2008. (Part I.) : in times of global change and uncertainty. Prešov : University of Prešov in Prešov, 2008. ISBN 978-80-8068-849-3. p. 327-333
4. Jusková, M. 2009. Klastre - cesta k rozvoju regiónov. In Zborník vedeckých prác katedry ekonómie a ekonomiky ANNO 2009. Prešov : Prešovská univerzita, 2009. ISBN 978-80-555-0005-8. s. 119-126
5. Kotulič, R. 2006. Faktory prosperity regiónu a ich vplyv na ekonomický rast. In: Zborník z príspevkov z medzinárodnej vedeckej konferencie - Ekonomické znalosti pro tržní praxi. Olomouc : Univerzita Palackého v Olomouci, Ed. Kubátová, J., 2006, s. 135-140. ISBN 80-244-1468-6.

6. Naščáková, J. - Liberko, I. - Turisová, R. 2005. Efektívnosť vynaložených vstupov a spotrebná náročnosť priemyselnej výroby Slovenskej republiky. In: Manažment priemyselných podnikov. roč. 2, č. 3 (2005), s. 32-35. ISSN 1336-5592.
7. Rovňák, M., Bosák, M., Majerník, M., Tarča, A. Sistema monitoringa ekologičiekich ugroz v Slovakií. In Vestnik MGTU "Stankin" : naučný recenzirujemyj žurnal. No 3 (2008), s. 125-130
8. Rusko, M., Chovancová, J. 2008. Environmentálny reporting. In Environmetálna a bezpečnostná informatika. Žilina : STRIX, n. f., 2008. ISBN 978-80-89281-19-0. s. 376-380
9. Slovenská agentúra životného prostredia. 2008. Ekonomika a tvorba komunálnych odpadov. Dostupné na internete: http://enviroportal.sk/indikatory/detail.php?kategoria=208&id_indikator=1461
10. Suhányiová ,A.: Ekonomické aspekty emisných kvót u podnikateľských subjektov. In Vedecká konferencia – Ekonomická fakulta TU v Košiciach, Katedra financií, Košice 15. júna 2007, ISBN 978-80-8073-821-1
11. Tanzer Consulting Slovakia. 2008. Nakladanie s komunálnym odpadom v banskobystrickom samosprávnom kraji. Bratislava: Tanzer Consulting Slovakia. 111 s. Dostupné na internete: [http://www.vucbb.sk/ganet/vuc/bb/portal.nsf/wdoc/014161d8f2886a71c1257449002cca36/\\$FILE/Studia_BBSK.pdf](http://www.vucbb.sk/ganet/vuc/bb/portal.nsf/wdoc/014161d8f2886a71c1257449002cca36/$FILE/Studia_BBSK.pdf)
12. Tej. J. 2008. Regionálny manažment - strategická forma partnerstva pri dosahovaní vyššej regionálnej konkurencieschopnosti. In Konkurencieschopnosť a regionálny rozvoj. - Košice : Technická univerzita v Košiciach, Ekonomická fakulta, 2008. - ISBN 978-80-553-0111-2. - S. 149-171
13. Vravec, J.: Globalizácia a jej možné negatívne vplyvy na ekonomiku a spoločnosť. In: *E+M Ekonomie a Management*, roč. 7, 2004, č. 3, s. 18-22. ISSN 1212-3609

Contacts

doc. Ing. Peter Adamišin, PhD.
 University of Prešov in Prešov
 Faculty of Management
 Slovakia
 E-mail: adamisin@unipo.sk

Ing. Emília Huttmanová, PhD.
 University of Prešov in Prešov
 Faculty of Management
 Slovakia
 E-mail: emilia.huttmanova@gmail.com

The Importance of Organisational Culture and Knowledge Management Tools to an Innovative Process of an Organisation

Milina Baranová

University of Prešov in Prešov, Faculty of Management

Abstract

Although a common underlying core of innovation process can be identified, process variants are influenced by factors like the organisational culture, type of innovation, the application domain also have implications for the knowledge management culture within the innovation process.

Each innovation culture demands its specific support by knowledge management techniques and tools which are adapted to the specific requirements stemming from the innovation culture.

Innovation processes occur in organisations which differ in e.g. products, organisational structures, history of development, native country and language and therefore culture. This respective context of each individual innovation process within an organisation is dependent on the cultural factors which influence the characteristics of the process and forms a unique innovation culture as well as innovation process variants.

Key words

innovation, innovation culture, organisation, management

Introduction

The world around us has been changing constantly and with a great speed; some changes we are hardly able to discern.

In all spheres of our lives we are the witnesses of the quick spreading of ever newer technologies, new products and progressive changes.

For a company – as a subject of the market, this environment is becoming every day more variable and risky. To be able to adapt to this trend, the company must be always prepared for changes. Its culture is therefore one of the most important factors for capacity for changes in companies. (Armstrong, 2002)

Organisational culture defines how a company can be both successful and productive in terms of constant changes.

Along with the globalisation the companies must face still bigger and bigger competition. Each of them can eventually offer new original products and services. The speed of technical changes supports innovations too. Not only the life-cycle of products and services has become shorter, but also the time for bringing product/service out. Because of intensifying and quickening of changes in companies, in comparison to the past, it is necessary to create in companies the atmosphere which would be regarded by employees as a standard part of life of the organisation.

The growth of success of the company is achieved through the success of the individuals – it is a source of essential values of knowledge organisation, with the promotion of human capital, or generally of knowledge of employees.

Organisational culture as a tool for innovation

An effective tool how to address and attract the right people is organisational culture. The favorable organisational culture participates in involving of employees in achieving goals of the company. It also enforces the loyalty of employees and eventually the responsibility for their actions. The ability of organisational culture to attract the right people depends on the values and beliefs of the organisation. This kind of culture may just be the knowledge organisation itself. (Lukášová, Nový a kol., 2004)

The change of organisational culture can be achieved through the gradual direction to knowledge organisation and through the customer's centred approach.

Organisational culture which supports openness and creativity is an important condition for successful learning and innovations within an organisation.

For providing permanent innovation process in organisation and for success of organisation it is necessary to implement not only innovations of processes and products of the company, but also „innovation“ of the people as a basic ground of an organisation. Therefore it is essential to constantly control providing for: increasing of qualification, systematic learning and its eventual directing; to create the favorable environment which predestinates healthy progress of new ideas, suggestions and consequently the rise of innovation ability of the whole organisation. Thereafter it is necessary to awake the enthusiasm in people, to remove obstacles that slow down the flow of knowledge and ideas and to find innovators in domestic organisation or to give them chance to express themselves. (Lukášová, Nový a kol., 2004)

Although a common underlying core innovation process can be identified, process variants are influenced by factors like the organisational culture, type of innovation, the application domain also have implications for the knowledge management culture within the innovation process.

Each innovation culture demands its specific support by knowledge management techniques and tools which are adapted to the specific requirements stemming from the innovation culture.

Innovation processes occur in organisations which differ in e.g. products, organisational structures, history of development, native country and language and therefore, culture. This respective context of each individual innovation process within an organisation is dependent on the cultural factors which influence the characteristics of the process and forms a unique innovation culture as well as innovation process variants. Some of these context factors also influence the innovation-specific knowledge (management) culture.

Europe needs to extend its skills in the field of creativity and innovation, from social and economic reasons. European Council has repeatedly declared that the innovations are the crucial point in effective reaction to challenges and opportunities of globalisation in Europe. In december 2006 it was stated that: „Europe needs strategic conception which would be aimed at creating the environment of support for innovations and where knowledge reflect on innovation products and services.

Modern economy demands expansion of the creative skills' base in all population – this can be achieved through better usage of knowledge and quicker innovation which put an emphasis on added value.

The most essential are abilities and skills which enable people to use a change as an opportunity and to be open to new ideas promoting innovation and active participation in the culturally diverse knowledge-based society.

The organisational culture used to be regarded mainly as an effective tool for administration of change in an organisation. Now its success is built on the process of permanent education which results are integrated into its own structure.

Thanks to this a company can more flexibly respond to stimulns of the ever more complicated surroundings.

Innovation skills of learning organisation

A learning organisation can be understood as an organisation where people systematically develop the ability for creative thinking and acting; in referance to individuals and the team members and their learning together.

Innovation abilities of learning organisation consist in handling 5 approaches which can be identified (P.M.Senge, 1990) as:

1. systems thinking
2. personal mastery
3. mental models
4. building shared vision
5. team learning

The chart describing the importance of organisational culture from the aspect of sharing knowledge:

<i>External effects</i>	<i>Internal effects</i>
Political system	Firm policy
Economic social system	Firm strategy
Legislation	Functional/procedural management, style of management
Moral values	Interests of top management
Culture in the society	Interests of owners
Regional effects	Interests of employees
Market position, dynamics of market, risk of line of business	Firm legislation
Ecology	Vision, mission, values, symbols, style of company life

A way to success is to have an organisational culture leading not only to accumulation but also creating and effective usage of knowledge. (Barták, 2008)

The necessity of new ideas and concepts has never been more actual than at present. Products and services are becoming the commodities on many markets, they are bought and sold in large. The competitive companies can quickly take over the ideas and suggestions of the others. No company should be at rest. In the future only companies that digestedly work with creative methods and innovations can be lucrative. (Kotler, Trias de Bes, 2005)

In the last years a term „innovation“ has referred not only to products and services that are offered by organisations, but also to organisational changes which determine flexibility and adaptability of organisation and its ability to:

- develop new products and services
- implement and use new technologies

- produce highly effective
- fulfill customers' needs through innovations and constant increasing of quality of offered and afforded products and services
- quickly and flexibly apply products and services on the market (Lukášová, Nový a kol., 2004)

Organisational culture supporting innovations is an important indicator of achieving success in those organisations which chose innovation strategy and which want to be effective on market by providing better, different or brand new products or services.

Flexibility, adaptability and creativity are features firmly connected with the innovation supportive culture; they stimulate the capacity of organisation for change, which has become a condition for surviving on today's turbulent market. (Lukášová, Nový a kol., 2004)

Innovation potential can be estimated by valuation of specific characteristics of existing innovation background, such as extent of necessity for innovation, extent of existence of innovation facilities, level of innovation culture, or level of employees' motivation for innovation. (Krauszová, 2008)

Innovations are managed by design approach, not by process approach. They are accompanied with many failings, and with repeating returns to beginnings even with losses. Failing is the natural part of innovations.

Innovations fail also because of inability to execute innovation ideas. The implementation of innovation is accompanied with several possible obstacles: mental, organisational and financial.

Majority of companies seek to predict future and then wait to see if their vision is fulfilled or not. Few of them seek to create it. Innovations cannot be performed without the creation of alternative scenarios that company is able to imagine and implement. To innovation means to play and try new things. (Chal', 2009)

Lack of time, information, materials and other sources lead to stress at work and attenuate the innovation behaviour. Innovation culture backs up innovation behaviour by keeping stress at work in optimal bounds.

Future investments, creativity, innovations, achieving higher rate of productivity and of profit demand a courage to back off former methods and to create and implement new methods and structures to fit external changes, organisational and all customers' needs and to do it swiftly.

Basic determinants of innovation culture:

- innovations are important for reinsurance of customers' comfort
- innovations are important for achieving long-term profit in organisation

- organisation si capable of innovation
- organisation needs creativity of its members (Krauszová, 2008)

Organisation which chose innovation strategy can implement changes and new methods created and tried elsewhere (reproduced innovations) or organisations can implement ideas and suggestions that are brand new (original innovations).

To be able to come up with original innovations in organisation it is essential to accomplish some extent of creativity. When building innovation culture, the support for innovations is as vital as support for creativity. (Lukášová, Nový a kol., 2004)

Quality of managers in a process of building of innovation culture

Only through competent control and leadership can innovation culture be created. On one hand it kneads members of organisation and to some extent protects from uncertainty and chaos, on the other hand it does not inhibit positive changes and quick adjustment to them.

If innovation culture is a part of organisational strategy, then managers must focus also on:

- selection of managers with creative potential
- creative style of control and leadership
- provocative aims
- positive example ((Lukášová, Nový a kol., 2004)

Summary

The whole process of innovations is based on the people, the managers and other employees who influence each other and share ideas, create new knowledge and refresh it. The organisation should focus on such kind of mutual exchange of information among individuals – this is the way how new alternatives and new ideas originate.

Bibliography

1. BARTÁK, J.: Od znalostí k inovacím: tvorba, rozvíjení a využívání znalostí v organizacích. 1.vyd. Praha: Nakladatelství Alfa, 2008. ISBN 978-80-87197-03-5.
2. CHAL, Ján. 2009. Inovovať je ako hrať v kasíne. In: Trend – týždenník o ekonomike a podnikaní [online]. [cit. 2009-01-19]. Available on internet: <http://www.etrend.sk/podnikanie/riadenie-a-kariera/inovovat-je-ako-hrat-vkasine/155511.html>

3. KOTLER, P., TRIAS DE BES, F.: Inovativní marketing: Jak kreativním myšlením vítězit u zákazníků. dotlač 2006. Praha: Grada Publishing, 2005. ISBN 80-247-0921-X.
4. KRAUSZOVÁ, Andrea. 2008. Riadenie ľudských zdrojov ako faktor strategického prístupu k inováciám. In: Transfer inovácií – internetový časopis o inováciách v priemysle [online]. ISSN 1337-7094, 2008, roč. 11. Available on internet: <http://www.sjf.tuke.sk/transferinovacii/pages/archiv/transfer/11-2008/pdf/126-128.pdf>

Contact

Mgr. Milina Baranová
University of Prešov in Prešov
Faculty of Management
SLOVAKIA
E-mail: baranova.milina@gmail.com

Transformation of Knowledge into Management Competencies, Their Measurement and Conclusions for Higher Education

Lothar Bildat

Baltic College (University of Applied Sciences), Schwerin, Germany

Abstract

Today's organizations of higher education not only need to teach up to date knowledge, they also should offer trainings and the active development of so called 'soft skills'. Although many student programs promise all kinds of methods and tools for suchlike skills, one key issue often remains blurry: How can we help students to develop and apply these 'soft skills' and how can we develop competencies? How can we avoid that knowledge stays inert? The challenge is to prepare young professionals thoroughly for their future management tasks at a very early stage of their professional life. This article outlines some theory based and practically important ideas concerning the development of management competencies with the help of training and in-house research. We focus on competencies that are essential for the hospitality industries and give some examples with regard to the measurement of management competencies.

Key words

Competencies, competency models, higher education, management competencies, personnel selection, recruitment.

1. Introduction

One central aspect of today's higher education is the development of student's competencies. We will soon see that this is not a trivial pursuit due to different reasons (problems of definition, practical problems). So called *dual education systems* offer the great opportunity to combine both *competency development* (e.g. managing complex projects) and *knowledge development* (business concepts, scientific theories etc.). The Baltic College (University of Applied Sciences) enables a suchlike dual education. We offer for example study programmes like Hotel and Tourism Management where students obtain a Bachelor of Arts degree and a state certified hotel management qualification supervised by the German Board of Trade

(Industrie- und Handelskammer). Yet it remains a great challenge to avoid the teaching of *inert knowledge*; knowledge that cannot be applied (1).

Before we have a closer look at the transformation of knowledge into competencies, I will first try to clarify some definitions concerning competencies at the workplace. The third chapter offers insights into some real life scenarios which are currently in use at the Baltic College. Chapter four focuses on current job related research at our College, finally some conclusions and remarks regarding future developments will be given.

2. Definition of concepts

Although there are quite a lot of definitions concerning the term competency, I will give a short working definition for practical reasons. Competencies can be seen as a mixture of personality, motivation and job skills which are adequately shown in a relevant context and which are necessary for a desired outcome or performance. Of course the environment plays an important role as well: not every organization provides the necessary culture for the unfolding of competencies.

Competencies can also be regarded as steps of a ladder which lead to individual competitiveness. North (2) uses this analogy of a 'knowledge staircase' which is shown in figure 1. On its very basis we find *signs and data*, which have no meaning at all until they are decoded. Meaningful data become *information*, in combination with context and experiences we gain *knowledge*. But only when it is used, knowledge can turn into *skills*. Skills are only shown and turned into *action* when someone wants to do so, thus motivation is of importance here. Correct action is regarded as *competencies* in this model, and if suchlike competencies are considered unique, they form *competitiveness* of a company and/or individual. A top down view can be considered strategic knowledge management whereas a bottom up view can be called data and information management.

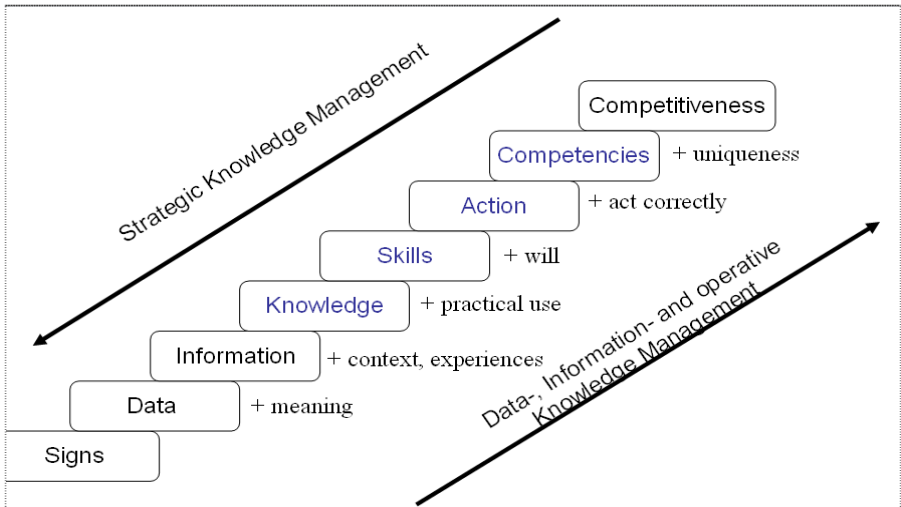


Fig. 1: The knowledge staircase (North, 1998, edited).

Let's make no mistake here: Knowledge and action cannot be strictly separated, although North's staircase assumes this. In this model knowledge is *transformed* into action via skills, and action only seems to transform into a competency if it is correctly done. The analogy of a staircase tends to mislead us here as staircases usually are not very flexible. We know from our every day experiences that 'action' takes place inside and outside of our heads.

Cognitive and action related processes prepare and enable *visible and directly measurable* outcomes. We call this *thinking*. One of most important and influential Russian psychologist of the last century, Lev Semënovič Vygotskij (3), has pointed out in his book *Thinking and Speaking* 80 years ago:

"We found this entity [of thinking and speaking] in the meaning of the word. This meaning of the word constitutes [...] the not further separable entity of both processes [and we cannot] say whether it is a phenomenon of speaking or a phenomenon of thinking. A word which lacks every form of meaning is no word, it is an empty sound."

(ibid, p. 389, translated from German into English by the author). So even speaking as a measurable outcome is 'inner' action or at least it has been prepared by it. But not only can thinking be considered intertwined with speaking, it is also *dynamic*: "The relationship of a thought and a word is,

above all, no thing but a process. [...] a thought executes a function, an activity, *it solves a task*.” (ibid, p. 399, italics by the author)

What holds true for this basic human ability most certainly applies for job related task completion as well. Work planning can be considered as knowledge based intellectual performance; it is inner action that prepares work outcomes, as Hacker (4) puts it: “Individual planning is an intentional sequence in which a remote target oriented goal-hierarchy is combined with its sub-targets [...]” However, we know that a planning work strategy can lead to high performance if it is accompanied by high intellectual capacities (ibid, p. 515, translated by the author). It is also important to know that “correct action” as it is proposed in North’s staircase is not a hallmark of experts but *to correct mistakes efficiently* indeed is. This is not trivial because lay people tend to think that experts make fewer or even no mistakes at all. Let us have look upon further requirements of competencies.

Spencer and Spencer [5, p. 9] regard competencies as underlying characteristics “of an individual that [are] causally related to criterion-referenced effective and/or superior performance in a job or situation. Underlying [...] means the competency is a fairly deep and enduring part of a person’s personality [...]” Thus competencies have something to do with personality. Personality can be defined as behavioural tendencies that characterise people and which do not change easily over time. Motives and basic needs belong to personality; they can be measured by modern psychometric tools (e.g. tests and/or questionnaires) as we will see later on (chapter 5). Skills and knowledge can be trained; personality cannot be shaped or changed easily. One challenge for companies and institutions of higher education lies in the detection of individual potentials to predict future performance (6).

In our study program Hotel and Tourism Management we train key situations via *role plays* in which professional job related behaviour has to be shown (see next chapter for more details). A receptionist in a hotel can learn how to deal with difficult guests via training. Nevertheless this training will probably be less successful if the person is not extraverted and agreeable *per se*. Character traits like agreeableness and extraversion can unfold their potential in some environments which can be simulated (see below): People who show agreeableness like to work in a team, tend to help others etc; extraverts like to have other people around, they are outgoing, open and usually optimistic. Those traits can be measured in a valid and reliable way (7) for instance via questionnaires or within job interviews. Last not least

cognitive abilities have to be taken into consideration as they have proved to be the most important (single) predictors of job performance (8).

One way to avoid inert knowledge is the training of competencies on the basis of job knowledge as we will see next.

3. Training is the key: Real life scenarios based upon critical job situations

As we have seen, competencies consist of knowledge and personality traits which enable people to perform well in a specific job related situation. Training should lead to competent behaviour, since “Competence is about where a person is now not where they might be in the future.” (9, p. 3)

At the Baltic College we created real life scenarios on the basis of critical job situations. Before we designed the scenarios (role plays) in a first step we conducted some qualitative research (Bildat, unpublished data): we asked students about difficult and stressful job situations. As mentioned above, the Baltic College offers dual study programs, and about one half of the students chose suchlike programs. Thus information about job experience can be considered *face valid*. Most students reported problems with clients or guests (in case of students who work in the hospitality industries) as well as challenging interactions with supervisors or managers.

Based upon this information we created two different role plays. In the first role play two students played a “feedback talk” (a shop floor manager and its *supervisor* – focus person in italics) whereas the second role was called “difficult guest” (a *receptionist* in hotel meets an upset and angry guest²) both on a voluntary basis. Before groups of five to six students video-filmed and observed the situations, theory concerning feedback processes, feedback rules, and behavioural observation was taught. We also created rating scales on the basis of behavioural anchors (see below). The output was a behavioural rating sheet for entry level hotel managers.

The instrument consisted of 5 dimensions that were chosen in advance on the basis of job related information and general concepts of human communication. The dimensions were then split in one negative and one positive indicator. A five point scale was chosen to link numerical expressions to the relevant dimension. For example the dimension “active listening” was split in the indicators “Doesn’t repeat what guest said, or repeats wrongly.”

² The „angry guest“-plot was created after a talk to a professional receptionist with over 10 years of work experience in the hospitality industries in a Four Star hotel in Frankfurt/Main. The author asked about a critical incident which occurred recently to the employee.

(negative) and “Briefly repeats what guest said and asks if repetition was correct.” (positive). The students were thus able to observe a realistic scenario in a methodical way.

After the role play was finished (it took about 10-15 minutes), the observers feed backed the focus persons (the *supervisor* in case of the “feedback talk” and the *receptionist* in case of the “difficult guest”). After all role plays where conducted, the whole group saw videos of each smaller group and central challenges where discussed. A report concerning the whole process had to be completed by the students afterwards as a basis for credits. Figure 3 visualizes the complete process.

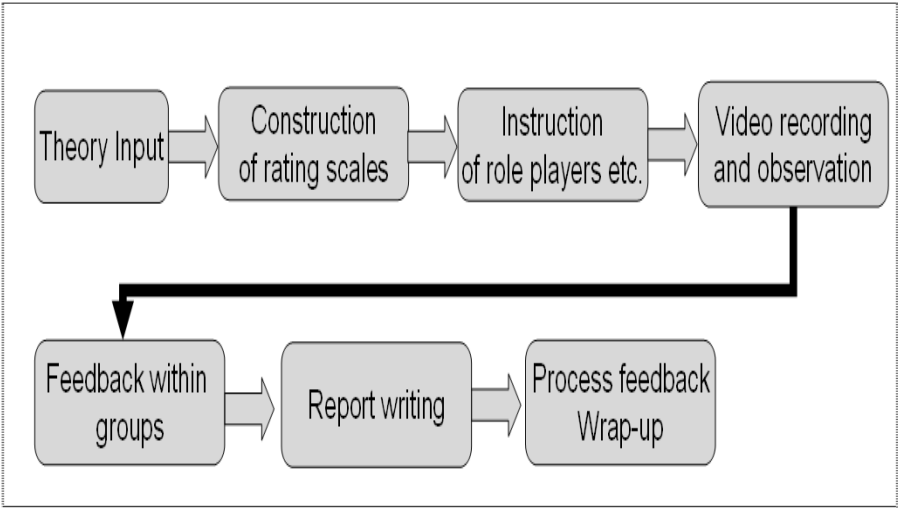


Fig. 2: Workflow of the job related skill training at the Baltic College.

What do we train with the help of role plays?

Although the question remains unclear whether the trainings where successful in terms of application in real life, it is likely that we instigate the development of procedural knowledge. Procedural knowledge is about *how* things are done or work correctly, declarative knowledge focuses things like concepts and/or vocabulary (to know *what*, 10). Declarative knowledge was gained via theoretical input that focused on feedback processes and the impact of feedback on the behaviour at the workplace. Students not only learned about feedback in theory, they got feedback themselves as well. Feedback should have a positive impact on performance if it is specific and behaviour oriented (instead of a personality focused feedback, 11). Here are some

shortened examples of how students evaluated the training course (short written reports on learning outcomes):

Role play ‘feedback for employees’

- “I learned how to stay factual in a feedback situation [...] I found the role plays very well done and very helpful for my practical work.”
- “[I learned] how to put myself in my employee’s position.”
- “[I learned] how to apply an observation scale [...] and how to give feedback in front of a camera [I learned] how to stay factual [and] how to give feedback.”
- “[I learned] how to focus upon work related behaviour [...] and how to phrase a specific feedback.”
- “[I got] a better self-perception [...] by getting feedback.”
- “[I learned] to ask the employee first what he wants [to achieve] before making suggestions myself [...], how to listen better, how to find the thread in a conversation [...] not to be afraid of feedbacks.”
- “To observe oneself completely neutrally [via video] has a big learning impact because the subjective memory then doesn’t play an important role.”

Role play ‘difficult guest’

- “[I learned] how to answer a guest in a better way.”
- “[I learned] how to deal with difficult guests [...] to find solutions [how to react] in a self-confident way [...], active listening.”
- “I realized that in spite of knowledge about feedback theory one is often overstrained in practice. This [enables me] to think about my weaknesses and to learn how to phrase solutions and to find ideas for improvement.”
- “[I learned] to differentiate between personal perception [and other’s perception] and how to distinguish between behaviour and personality.”
- “[I learned] that communication is the most important tool for a manager [supervisor].”
- “I will soon ask [my supervisor] what exactly I can offer a guest in a suchlike situation [to gain confidence].”
- “[I learned] that communication with difficult guests must be trained.”
- “I found it negative that not everybody could act as role player.”

How can we further develop our curriculum on an empirical basis? This is one central aspect of the next chapter.

4. Inhouse research as a success factor for higher education

Before we can increase the quality of our curricula we have to know more about our students. One advantage of our relatively small College is a well established contact of students and university staff. Competency related research and the direct feedback of results can be quickly conducted and results can quite easily be implemented into study programs. As was shown above, students mentioned stressful job related situations such as talking to angry or upset clients. One competency which is useful within literally every branch of industry is *adapting and coping with stress*; or as Furnham puts it (12, p. 354): “All jobs are potentially stressful, although the stresses vary widely.” Due to space limitations I cannot concentrate upon theoretical issues related to stress research. So I will just sketch a research approach we are currently realising at our College.

We do research concerning the question what exactly puts our students under stress, how they cope with it, and what kind of competencies we can train on the basis of this information. We have a close look on personality and organizational factors. The scope here is twofold; first we focus upon factors that can be influenced by training (see above) and those which are related to personality. The latter has to do with (self-) selection issues as will be shown in the next chapter. Secondly we obtain relevant job knowledge that helps us to realize bespoke study programs and further trainings.

Our research (Bildat, unpublished data) indicates for instance a close link between work stressors such as time pressure, low support by supervisors, uncertainty of task execution etc. and measures of strain and irritability (13). We found a high and substantial positive correlation between emotional stability and strain. Furthermore we found significant positive correlations between work stressors and measures of work related behaviours such as error strain. The latter refers to the fear of making mistakes and doing things wrongly. Additionally we found that support by supervisors negatively correlates with measures of strain. Uncertainty concerning task completion and unclear job procedures furthermore proved to predict measures of strain, thus emphasizing the need of job training and the development of coping strategies such as planning tasks and workflow knowledge. Currently we check the data for group differences (males versus female, and dual versus direct students). A first inspection revealed for example significantly higher error strain in female students than in males.

5. Conclusions and future challenges

Good job knowledge and professional trainings can foster high job performance and future success. It is not only the number of parking lots, the quality of the wine or the up-to-date wellness package that secures sustainable growth in the hospitality industries. Competent service orientation and coping skills should be considered success factors as well.

What does this mean for higher education and training?

As we have seen above, competency is related to personality. Thus not every competency can be fully developed by every student. One approach to address the *selection issue* is to offer realistic job preview (RJP) for students. RJP can be given via detailed information about future job tasks and/or study programs. Furthermore critical job or study related situations can be used to help students in terms of self selection. The more detailed and realistic the job previews are, the better the self-selection results and the higher the commitment concerning a job or a study program.

What has to be done next?

If we want to achieve a better fit between job characteristics and personality of applicants or students, respectively, we should also gather data about competency models in the hospitality industries because “The ability to identify the skills and competencies required for tomorrow’s industry leaders is essential for companies that hope to remain competitive” (14, p. 17). Competency models describe what kind of knowledge, skills and competencies are needed to perform well in an organization (ibid).

Competency modelling requires a quite elaborate process. This process usually comprises exploration, task-analysis, competency modelling and the final implementation into HR activities (15).

Some interesting questions arise here: Are there different competency models for different kinds of hotels (e.g. individual versus chain hotels)? What does a manager of a tourist office in Berlin distinguish from his colleagues in Warsaw, Istanbul or Bratislava with regard to competencies? Do competency models change over time, and if so, how quickly do they change? What does this mean for strategic HR management in the hospitality industries? Together with decision makers in companies, cooperating Universities and further stakeholders some useful answers should be found in the future.

Summary

Competencies can be regarded as a mixture of personality, motivation and job skills which are necessary for performance. Knowledge and action cannot be strictly separated. The analogy of competencies as steps of a ladder can mask the true nature of competencies. Skills and knowledge can be trained; personality cannot be shaped or changed easily. One challenge for companies and institutions of higher education lies in the detection of individual potentials. This can be done via trainings and with the help of realistic previews concerning study programs. In our study program Hotel and Tourism Management we train key situations via *role plays* which are evaluated by trained students. Here students learn theories about feedback and behavioral observation on one hand, on the other they show their competencies in real life scenarios and get feedback about their performance. Students rated the scenario as highly useful for their practical work. Training will probably be less successful if a person's personality and task characteristics do not match. Personality can unfold its potential in some environments, thus we should create real life situations for training purposes. One key competency is adapting and coping with stress, thus we focus on the development of such skills on an empirical basis. Our research indicates for instance a close link between work stress and measures of strain. Especially the support by supervisors seems to be crucial here. This implies further steps with regard to our competency trainings. In the future it seems very important to gather data about competency models in the hospitality industries if we want to know exactly what is required for tomorrow's leaders.

Bibliography

1. Renkl, A. (1996). Träges Wissen: Wenn Erlerntes nicht genutzt wird. [Inert knowledge. When knowledge is not applied] *Psychologische Rundschau*, 47, 78-92.
2. North, K. (1998). *Wissensorientierte Unternehmensführung. Wertschöpfung durch Wissen*. [Knowledge Oriented Management. Value Creation through Knowledge.] Wiesbaden: Gabler.
3. Vygotskij, L. S. (2002). *Denken und Sprechen*. [Thinking and Speaking] Weinheim: Beltz.
4. Hacker, W. (2005). *Allgemeine Arbeitspsychologie. Psychische Regulation von Wissens-, Denk- und körperlicher Arbeit*. [General work psychology. Psychological regulation of knowledge-, cognitive-, and bodily work.] Bern: Huber.
5. Spencer, L. M. & Spencer S. M. (1993). *Competence at Work: Models for Superior Performance*. New York: John Wiley & Sons.

6. Kurz, R., & Bartram, D. (2002). Competency and individual performance: Modelling the world of work, in I. Robertson, M. Callinan, D. Bartram (Eds.), *Organizational Effectiveness: The Role of Psychology*. Wiley, London, pp.227 - 258.
7. Baron, H., Bartram, D. & Kurz, R. (2003). The Great Eight as a framework for validation research. *Occupational Psychology Conference 2003 Book of Proceedings*, 71-74. Bournemouth: The British Psychological Society.
8. Salgado, J. F., Anderson, N., Modcoso, S. Bertua, C. & de Fruyt, F. (2003). International Validity Generalization of GMA and Cognitive Abilities: A European Community Meta-Analysis. *Personnel Psychology*, 56, 553-605.
9. Bartram, D. (2006). *The SHL Universal Competency Framework*. SHL White Paper. SHL Group plc. SHL UK: Thames Ditton.
10. Anderson J. R. (2001). Kognitive Psychologie. [Cognitive Psychology] Heidelberg: Springer.
11. Kluger, A.N. & DeNisi, A. (1996). The effects of feedback interventions on performance: A historical review, a meta-analysis, and a preliminary feedback intervention theory. *Psychological Bulletin*, 119, 254-284.
12. Furnham, A. (2005). *The psychology of behaviour at work. The individual in the Organization*. Hove: Psychology Press.
13. Mohr, G. (1986). *Die Erfassung psychischer Befindensbeeinträchtigungen bei Industriearbeitern*. [The assessment of psychological health impairments in industry workers] Frankfurt am Main: Peter Lang.
14. Chung-Herrera, B., Enz, C. A. & Lankau, M.J. (2003). Grooming Future Hospitality Leaders: A Competencies Model. *Cornell Hotel and Restaurant Administration Quarterly*, 44 (3), 17-25.
15. Sonntag, K.-H. (2007). Kompetenzmodelle im Human Resource (HR-) Management. [Competency Models in Human Resource Management]. In E. Schaefer, M. Buch, I. Pahls and J. Pfitzmann (Eds.), *Arbeitsleben! Arbeitsanalyse - Arbeitsgestaltung - Kompetenzentwicklung* [Worklife! Task Analysis - Work Design - Competency Development] (pp. 264-279). Kassel: Kassel University Press.

Contact

Prof. Dr. Lothar Bildat
 Organizational and Personnel Management
 Baltic College (University of Applied Sciences)
 Lankower Str. 9-11
 19075 Schwerin
 Germany
 E-mail: bildat@baltic-college.de

Assertive Behaviour of Managers in a Corporation

Zuzana Birknerová – Anna Lelková

University of Prešov in Prešov, Faculty of Management

Abstract

In this report we elaborate the subject of assertive behaviour of managers in a corporation and the terms associated with it. In the research we evaluate the given hypotheses. We investigate whether managers are more assertive than efficient workers, and focus on the description and results of the research on assertive behaviour in two compared regions, the Bratislava and the Prešov region in particular. We were also interested in the differences in assertive behaviour among men and women, and among respondents who are involved in the private and public sector. The statistic significance among respondents was determined on the basis of the t-tests.

Key words

assertive behaviour, manager, efficient worker

Assertiveness is a communication skill which highlights the aspects of self-confidence and self-achievement. It is every person's responsibility for their own dealing, control over oneself, and decision about what we want in various situations. Listening to other people and understanding their behaviour, needs, feelings, and what positions they occupy, as well as how they look for satisfactory solutions is also considered assertive. Assertiveness is one of the most significant abilities which we can learn. It helps us clearly and convincingly express our needs, requirements and feelings to other people without touching their personal rights in any way.

The aim of assertiveness is to teach an individual how to express emotions reasonably and react spontaneously. Nobody should fear to express their substantial viewpoint, make objections using argumentation, and persist in own arguments when the ones of the opponent are not appropriate (Capponi, Novák, 1992). Assertiveness means suitable and sincere expressing of own thoughts, feelings, and opinions positively as well as negatively without violating rights of others or of our own. Barret, Radke (1977, In Olivar, 1992, p.115) define it as „initiative, decisiveness, and persistence in advocating certain behaviour despite situational, interpersonal, or social barriers.“ Nowadays, assertiveness represents an integrated communication style which

takes into consideration not only communication skills but also stability of personality. It requires one to make decisions by oneself and take responsibility for these decisions. Assertiveness can improve quality of life. It is a healthy, direct, non-manipulative approach to other people. People act in the way to preserve their own self-respect. Knowing that one has done everything one could is all that is necessary for self-respect. If one was not successful despite trying, one believes nothing more could be done and does not blame oneself for the failure.

Assertive behaviour is characterized by respecting individual's own rights as well as rights of the others. According to Lahnerová (2009), the following are the consequences of assertive behaviour:

1. it helps in solving problems,
2. it creates a basis for self-reflection,
3. it brings a feeling of satisfaction,
4. it creates and maximizes opportunities for development,
5. it contributes to stabilization of interpersonal relations.

Manager is a person who is entrusted with a team of co-workers and with its help, the manager carries out the given objectives. If a manager in a corporation is perceived positively, he/she can achieve authority as a person or authority based on abilities. Personality of a manager has a substantial influence on the feel of the team as well as its performance. An assertive manager in a corporation is constantly interested in fulfilling the tasks his/her co-workers were given as well as in the co-workers themselves. By means of his/her actions and interest in tasks, the manager makes an example for others and provokes them to follow. He/she may even transfer part of his/her own energy and optimism to members of his/her team. For an assertive manager in a corporation, communication with co-workers is very important. This communication should be open, direct, tactful, deliberate, calm, and natural. According to Lepiešová (1996), successful managers express their feelings and wishes in a way that does not create seeming pressure for the others. Assertive communication is a positive style which includes a clear attitude to what a person wants to happen but it does not claim it must be so.

Research

In this part of the report we elaborate the problem of assertive behaviour in corporation in the work of managers. To collect the adequate data, we used a questionnaire based on the book by Lahnerová (2009). The individual items in this questionnaire are aimed at assertive behaviour of managers, expressing

emotions of managers and their subordinates, and detecting whether manipulation with subordinates and consecutive aggressiveness are dominant in assertive behaviour of managers. The items of the questionnaire include not only demographic data but also concrete researched areas within assertive behaviour in corporation, that is, assertivity, emotions, manipulation, and aggressiveness. Each of the areas includes further ten items. Within assertiveness it means ten items where one of the following options needs to be chosen: 0 = never, 1 = rarely, 2 = sometimes, 3 = usually, 4 = almost always, always. Effects of emotions on assertive behaviour were given another ten items within the questionnaire, and they were yes/no questions. The third observed area, manipulative behaviour, included another set of ten items with a range of answers: often, sometimes, exception, never. The fourth part of the questionnaire, aggressiveness, involved ten items and options: almost never, sometimes, often, almost always.

The aim of the research is to find out whether there exist any differences between men and women in assertive behaviour, compare the private and public sector of employees with respect to assertive behaviour, decide which of the two compared groups, particularly management versus efficient worker, is more assertive, and compare assertive behaviour in corporation of the Bratislava and the Prešov region.

The research sample was created by employees and managers mostly from manufacturing corporations, as well as employees and managers of corporations with administrative specialization in the Bratislava and the Prešov region. The questionnaire was filled in by 162 respondents currently employed in one of the corporations in the given region, and the respondents included 92 women and 70 men.

The research was carried out between December 2009 and January 2010. These concrete corporations from the Prešov region took participation: JAS Snina (shoe manufacturer), Úrad práce a sociálnych vecí Snina (Centre of Labour and Social Affairs), Zubná technika Humenné (dental laboratory), UNEX – strojárská výroba Snina (mechanical manufacturer), as well as these corporations from the Bratislava region: Plemenárske služby Slovenskej republiky – štátny podnik (breeding services), Amnet, s.r.o. – informačné technológie (information technologies), ZŠ Mudroňova Bratislava (elementary school). Since the focus of investigation was assertive behaviour in corporation, the research sample consisted of all employees employed in the Bratislava and the Prešov region.

Hypotheses :

H1: We assume that managers are more assertive than efficient workers.

H2: We assume that manipulative behaviour is present more in the private sector than in the public one.

H3: We assume that women are more assertive than men.

H4: We assume that there are some differences in assertive behaviour of employees in the Bratislava and the Prešov region.

Proving Hypothesis 1: We assume that managers are more assertive than efficient workers.

The participation in the research was divided into 26% of managers and 74% of efficient workers. By means of the t-tests we were detecting the statistic significance among the individual areas within assertive behaviour and position in an organization. The findings are illustrated in Table 1.

Table 1: Statistic significance in the area of position in an organization

	Position	Mean	Standard deviation	F	Sig.	t	Sig (2-tailed)
Assertiveness	manager	20,379	4,272	4,279	,040	-2,372	,020
	efficient worker	18,789	3,264				
Emotions	manager	12,157	1,219	3,212	,075	-,995	,323
	efficient worker	12,407	1,600				
Manipulation	manager	30,789	4,179	1,394	,240	1,644	,104
	efficient worker	29,435	4,861				
Aggressiveness	manager	18,789	3,677	,000	,997	-1,987	,050
	efficient worker	20,196	3,941				

Table 1 illustrates the statistic significance in the area of assertiveness in favour of managers against efficient workers. We also detected the statistic significance in the area of aggressiveness but this time in favour of efficient workers. These findings demonstrate how managers accentuate assertive behaviour in corporation as compared to efficient workers. Managers are therefore more assertive, they know how to become acknowledged and appreciated in a corporation, and co-workers accept them as outstanding specialists. An assertive manager approaches work in healthy moderation and

tries to reach an adequate level to be able to set clear goals and consider proposals of co-workers. Such manager can also choose an appropriate manner of communication, he/she is collective, tactful, decisive, and constantly interested not only in own performance in work but also in performance of others. He/she is not an individualist but shows interest in how his/her co-workers fulfil given tasks, and what personality they have. We also discovered that the area of aggressiveness is significant and manifests itself more with efficient workers.

Hypothesis 1, on the basis of which we assumed that assertiveness in corporation is statistically significant with managers, was proved.

Proving Hypothesis 2: We assume that manipulative behaviour is present more in the private sector than in the public one.

54% of the addressed respondents were employees of a private organization and 46% employees worked for a public organization. By means of the t-tests we were detecting the statistic significance among respondents who work in the public or private sector, and among individual areas within assertive behaviour. The findings are illustrated in Table 2.

Table 2: Statistic significance in the area of sector

	Sector	Mean	Standard deviation	F	Sig.	t	Sig (2-tailed)
Assertiveness	public	19,743	3,878	2,546	0,113	0,490	0,625
	private	20,068	4,456				
Emotions	public	12,324	1,434	1,955	0,164	0,415	0,679
	private	12,431	1,799				
Manipulation	public	30,878	4,394	2,577	0,110	-3,259	0,001
	private	28,386	5,198				
Aggressiveness	public	19,589	3,218	3,981	0,048	0,968	0,335
	private	20,181	4,335				

By means of Table 2 we can see that manipulation in corporation is statistically significant in the public sector as opposed to the private sector. Manipulative behaviour is an antipole to assertiveness. It disrupts the symmetry of relations within corporation, and limits the possibility of agreement and creative cooperation among co-workers within a team into minimum. If manipulation becomes a common way of communication in workplace, it will block the space for development of teamwork, human relations, and corporate strategy. Within the two compared groups, the public and the private sector, we statistically reached the goal as we discovered that manipulative behaviour is present more in the private sector. A corporation in private ownership has its own internal rules, own production schedule, own procedures, and thus it is independent from other corporations to choose its own strategy of behaving towards the employees in order for them to reach the goals of the corporation regardless of their personalities. On the contrary, the public corporation sector has strictly defined rules assigned in accordance with the rights connected to the state sector of human rights.

Hypothesis 2 was proved as we expected statistically significant differences in favour of the public sector of the chosen respondents. These were proved as opposed to the private sector.

Proving Hypothesis 3: We assume that women are more assertive than men.

43% of the addressed respondents were men and 57% of them were women. Table 3 illustrates comparisons of assertive behaviour in corporation in the area of gender of the addressed respondents.

Table 3: Statistic significance in the area of gender

	Gender	Mean	Standard deviation	F	Sig.	t	Sig (2-tailed)
Assertiveness	man	19,471	4,399	0,032	0,859	-1,187	0,237
	woman	20,263	4,041				
Emotions	man	12,371	1,466	1,077	0,301	-0,008	0,993
	woman	12,373	1,767				
Manipulation	man	29,385	5,223	1,426	0,234	-0,247	0,805
	woman	29,582	4,837				
Aggressiveness	man	19,414	3,891	0,209	0,648	-1,455	0,148
	woman	20,311	3,847				

By means of this Table we did not detect any significant differences between assertiveness of men and women. It means that both men and women from the addressed respondents are equally assertive. Within corporation we may state that there is an equal ratio of assertive behaviour between men and women.

Hypothesis 3 was not proved as we assumed that there are statistically significant differences in assertive behaviour of men and women in corporation. We statistically proved that regardless of gender, men and women are both equally assertive.

Proving Hypothesis 4: We assume that there are differences in assertive behaviour of employees in the Bratislava and the Prešov region.

There were 42% of respondents from the Bratislava region and 58% of them from the Prešov region. By means of the t-tests we were detecting the statistic significance among respondents who work either in the Prešov or in the Bratislava region, and among individual areas within assertive behaviour. The findings are illustrated in Table 4.

Table 4: Statistic significance in the area of Slovak regions

	Reion	Mean	Standard deviation	F	Sig.	t	Sig (2-tailed)
Assertiveness	Bratislava	20,544	3,906	0,263	0,609	-2,012	0,046
	Prešov	19,187	4,414				
Emotions	Bratislava	12,750	1,642	0,501	0,480	2,312	0,082
	Prešov	12,133	1,622				
Manipulation	Bratislava	29,911	4,643	2,344	0,128	-1,493	0,138
	Prešov	28,687	5,494				
Aggressiveness	Bratislava	19,603	3,512	0,780	0,379	-1,163	0,246
	Prešov	20,344	4,114				

On the basis of this Table we can observe differences among individual areas of research in the comparison of the Prešov and Bratislava region. We can see different behaviour of the addressed respondents. Table 4 illustrates significant differences within assertive behaviour in favour of the respondents living and working in the Bratislava region.

Hypothesis 4 was proved as the statistic significance in assertive behaviour of employees was shown to be present in the Bratislava region as opposed to the Prešov region.

Overview

By means of the elaborated questionnaire, our research has demonstrated the assertiveness level of the employees from the selected organizations in two compared Slovak regions. The result of this research is the discovery that within the researched corporations, managers are more assertive. It means that managers in a corporation are more open in cooperation with efficient workers. They prefer teamwork and try to create the right work atmosphere in order to reach the goals of the organization. They direct the efficient workers with a right approach, they are open to their ideas, thoughts, and opinions. By means of this approach they set strategic goals for themselves, and step by step they try to reach them in cooperation with others.

We also compared manipulative behaviour in corporations, in the private and public sectors in particular. Here we discovered that manipulative behaviour is present more in the private sector, meaning that the research resulted in favour of the public sector. A corporation within the private sector has its own rules and own steps in achieving the goals of the organization. This sector is influenced by its own business management, and it often has different rules than the public sector.

Another compared group within the research were men and women. No significant differences were detected between these two groups despite the fact that we assumed that there would be some. We expected women to be more assertive than men but our assumption was not proved. Both men and women are according to our research equally assertive in the compared regions, regardless of their gender. In businesses, assertive behaviour is present with men as well as women. Their cooperation is on the same level, we do not encounter any striking differences in behaviour. They are all equal regardless of their position or gender.

The last compared group within assertive behaviour were respondents from the Prešov and the Bratislava region. We assumed there would be significant differences among respondents from these regions, which was proved by the research. We may state that there are significant differences in assertive behaviour between regions, and they exist in favour of the Bratislava region.

Assertive behaviour provides a feeling of healthy human self-confidence. It is one of the ways to solve difficult problems within human relations. Thus it is important to use assertiveness not only in personal but also in work

environment. Managers are rated not only according to their performance but also in accordance with the way they behave towards their co-workers, and how they manage the relations to their colleagues and superordinates.

Bibliography

1. CAPPONI, V., NOVÁK, T. 1992. *Průručka k nácviku asertivity*. Psychodiagnostika. Bratislava, 1992. 141 s. ISBN 80-205-0240-8.
2. FERENCOVÁ, M., BUTORACOVÁ ŠINDLERYOVÁ I. 2009. *Marketingová komunikácia*. Prešov : FM PU, 2009, 138 s. ISBN 978-80-555-0013-3.
3. FRANKOVSKÝ, M., ŠTEFKO, R., BAUMGARTNER, F. 2006. Behavioral-situational approach to examinig social intelligence. In *Studia Psychologica*, 2006, 48, 3, 251-258. ISSN 0039-3320.
4. GYURÁK BABELOVÁ, Z., VAŇOVÁ, J. 2008. Experimental learning in management education. In *Materials Science and Technology*. Roč. 8, č. 3, 2008. ISSN 1335-9053.
5. JANOVSÁ, A. 2007. *Manažérske zručnosti pre vedeckých a riadiacich pracovníkov*. Košice : Elfa, 2007. 106 s. ISBN 978-80-8086-070-7.
6. LAHNEROVÁ, D. 2009. *Asertivita pro manažery*. Praha : Grada Publishing, 2009. 159 s. ISBN 978-80-247-2892-6.
7. LEPIEŠOVÁ, E. a kol. 1996. *Manažment v ošetrovatel'stve*. Martin : Osveta, 1996. 146 s. ISBN 80-217-0352-0.
8. OLIVAR, R. 1992. *Etická výchova*. Bratislava : Orbis Pictus Istropolitana, 1992. s. 111-130. ISBN 80-7158-001-5.
9. RAČKOVÁ, M. 2000. Rozhodovanie ako esencia inteligencie a tvorivosti. In *Slovenská ekonomika v európskom kontexte*. Banská Bystrica : PF UMB, 5.-6. 9.2000, s.101-106. ISBN 80-8055-439-0.
10. SOJKA, L., ČVERHOVÁ, D., HANČOVSKÁ, E., KOBOL, A., SÝKOROVÁ, M. 2008. *Riadenie ľudských zdrojov*. Prešov : FM PU, 2008. 166 s. ISBN 978-80-8068-871-4.
11. ZAHATŇANSKÁ, M. 2009. Zážitkové učenie a jeho možnosti v pregraduálnej príprave. In *Rozvoj a perspektívy pedagogiky a vzdelávania učiteľov*. Prešov : FHPV PU, 2009. ISBN 978-80-555-0064-5.

Contacts

PaedDr. Zuzana Birknerová, PhD.
Department of Managerial Psychology
Faculty of Management
University of Prešov in Prešov
Konštantínova 16, 080 01 Prešov, Slovakia
E-mail: zbirknerova@unipo.sk

Mgr. Anna Leľková
Faculty of Management
University of Prešov in Prešov
Konštantínova 16, 080 01 Prešov, Slovakia
E-mail: leľkova@unipo.sk

Connection between Social Intelligence, Mobbing and Fear in the Workplace*

Zuzana Birknerová – Eva Litavcová – Ján Juhás
University of Prešov in Prešov, Faculty of Management

Abstract

The report brings closer conflicts in workplace in relation to social intelligence of the respondents. It introduces the problem of bullying in workplace – mobbing. It elaborates the effective solutions to conflicts, pointing at the necessity of their prevention, as well as the causes, strategies of managing, and consequences of conflicts in the context of social intelligence and fear of the respondents. In this report we present the gained results of the research on social intelligence by means of the TSIS Questionnaire, conflicts in workplace measured by means of the NAQ – Questionnaire on negative behaviour in workplace, and the DOAS (PAFQ) – Personal Analysis of Fear Questionnaire. We Verified the individual hypotheses on the sample of 180 respondents.

Key words

social intelligence, conflicts in workplace, mobbing, fear, TSIS Questionnaire, NAQ Questionnaire, DOAS Questionnaire.

People entering the daily variety of interpersonal situations where interaction with others is an essential part of our lives. The kind of behaviour in individuals is different. To characteristics of this type of behaviour belongs social intelligence, social competence but also wisdom. In their theoretical understanding we can find many similarities. Already in 1914 Thordike (In Ruisel, 1999) called attention to understand intelligence as the general intelligence g factor. He defined intelligence as a set of individual elements, each of which represents a detailed ability. Any mental act involves a number of similar elements as a whole. The concept of social intelligence introduced in 1920 just Thorndike. According to the initial definition social intelligence means “the ability to understand and manage men and women, boys and girls – to act wisely in human relations“. Similarly, Marlowe (1986) defines social intelligence. He understands it as the ability to understand other people and social interactions and apply this knowledge in leading and influencing others

for mutual satisfaction. Situation-behavioral approach in the perception of social intelligence described Frankovský, Štefko, Baumgartner (2006).

Currently in Slovakia is still more debated issue of mobbing in the workplace. The concept of mobbing, according Kallwass (2006) derived from English verb “to mob”, which means to insult or offend. In the UK, regardless of the original English expression of “mobbing”, more usable term of “bullying” was pushed for, in the U.S., then the “employee abuse” (Kratz, 2005). Mobbing could be defined by Čverhová (2008) as malicious attempt to evict people from the workplace by improper accusations, humiliation, abuse, emotional abuse, sexual harassment and terror.

Research sample

The sample for the purpose of our research was created by employees of T-Systems Slovakia, s.r.o. and Železničná spoločnosť Slovensko, a.s., established in Košice, in the total number of 180 respondents, of whom were 81 men and 99 women aged from 18 to 60 years.

Research methodology

NAQ methodology

To detect mobbing at work environment we used a NAQ – Negative Acts Questionnaire, by authors Einarsen, Raknes, Matthiesen og Hellesøy, 1994; Hoel, 1999. This version has 29 items. Juhás, Litavcová (2008) has subjected this version to factor analysis and came to the following factors:

1. *Bossing factor* – mobbing by a superior to inferior. It is nurtured by the items as instructed tasks that are unworkable, excessive control, and excessive burden etc.
2. *Soft mobbing factor* – behaviour of others is perceived ambivalently and objective of behaviour is to humiliate the individual. This includes items such as spreading rumours, ignoring, railing, etc.
3. *Hard mobbing factor* – behaviour of others is perceived as unpleasant, hostile. This factor is saturated by items such as the threat of physical violence, threatening messages and phone calls, offensive remarks concerning the gender and ethnic origin and so on.
4. *Manipulative mobbing factor* – the objective is to isolate an individual on the based of the results of its work by holding back information, assigning the tasks that are below his capabilities, while acquiring the systematic execution of the tasks that are not in individual job description and so on.
5. *Social devaluation factor* – It is nurtured by items heading to criticism as well as undesirable sexual attention.

The TSIS methodology

In the context of solving the given objectives and questions we also used a social intelligence methodology TSIS – Tromsø Social Intelligence Scale (Silvera, Martinussen, Dahl, 2001). TSIS consists of 21 self-evaluation items, which are answered by respondents on a 7-point scale of agreement degree (1 – describes me extremely poorly, 7 – describes me extremely well). The questionnaire is divided into three subscales and enables to specify 3 factors:

SP – social information processing (e.g. I can predict how others will react to my behaviour.)

SS – social skills (e.g. I am good at entering new situations and meeting people for the first time.)

SA – social awareness (e.g. I am often surprised by others' reactions to what I do.).

DOAS methodology

To detect the fear of our survey respondents, we used a questionnaire of personal fear analysis (DOAS), which was compiled by Juhás (2009). Respondents express their level of fear in the presented list of values on the scale: 1. I have no fear at all, 2. I have no fear, 3. I do not know, 4. I fear, 5. I fear a lot. The values characterize by its number the degree of fear of illness, job loss, loneliness, old age, indebt, fear about family, price increase, poverty, loss of friends, the social unrest, the future, social failure, the violence, and that nobody will help them (according to Birknerová, Juhás, Litavcová, 2009).

Research objective

Our objective was to find a connection between social intelligence, mobbing and fear among the respondents. Another objective was, by the use of multivariate techniques, to create a new variable which clearly dichotomously add each respondent to the group of more or less mobbed. Then we describe the differences in social intelligence and in perception of fear among the less and more mobbed respondents and correlation with demographic characteristics. The results were processed in the statistical program SPSS.

Hypotheses

H1: We assume that each respondent can be clearly and unmistakably placed either as more or less mobbed in terms of all forms of mobbing.

H2: We expect that more mobbed respondents are more sensitive to the perception of various forms of fear.

H3: We expect that more mobbed respondents have lower social intelligence.

H4: We assume that among the considered demographic characteristics (age, sex, marital status, education and job classification), only education is linked with respondents division to less or more mobbed.

Summary of the DOAS, TSIS and NAQ questionnaires of the respondents:

For comparison, we have made correlations between the fear and the five factors of mobbing, further between the fear and social intelligence and between social intelligence and the five factors of mobbing.

In Table 1 we detected the statistical significance between fear and mobbing by Pearson correlation coefficient.

Table 1: Pearson correlation coefficient between the selected lines of fear and the five factors of mobbing

Number	Mobbing I am afraid	Soft mobbing	Hard mobbing	Bossing	Manipulative mobbing	Social devaluation factor
DOAS1	that I will be sick	0,171*				0,208**
DOAS2	that I will lose my job		0,164*		0,159*	0,231**
DOAS3	that I will be lonely					0,178*
DOAS5	that I will have debts	0,253**	0,163*	0,199**	0,257**	0,290**
DOAS8	that I will be poor					0,210**
DOAS9	that I will lose my friends	0,168*	0,210**			
DOAS10	of social unrest	0,167*	0,156*			0,164*
DOAS11	for my future	0,245**	0,212**		0,201**	0,188*
DOAS12	that I will socially fail		0,218**		0,166*	0,234**
DOAS14	that nobody will help me				0,168*	0,236**

Source: Own processing

According to data listed in Table 1, we argue that respondents who are worried about the disease are especially sensitive to the factor of social devaluation, but the significance has also Soft mobbing. Subjects apprehensive about job loss are also more sensitive to the factor of social devaluation, but they are also affected by Hard mobbing and Manipulative mobbing. The fear of loneliness correlates only with the Factor of social devaluation, while the fear of debt shows statistical significances for all items of mobbing. And very significant correlations are in conjunction with the Soft and Bossing, Manipulative mobbing and Factor of social devaluation. Respondents who suffer from fear of poverty are sensitive to the Factor of social devaluation and individuals apprehensive about the loss of friends are sensitive to the Soft and Hard mobbing. Fear of social unrest significantly correlates in conjunction with the Soft, Hard mobbing and Factor of social devaluation. People who are worried about their future are the most prone to Soft, Hard and Manipulative mobbing. But they are also affected by a Factor of social devaluation. Individuals who are afraid of social failure are most susceptible to the Hard mobbing and Factor of social devaluation, and to a lesser but still significant degree, are receptive to Manipulator mobbing. Individuals apprehensive of not receiving any help, to the utmost degree are confronted with Factor of social devaluation, as well as Manipulative mobbing. We argue that the more the individual fears, the more mobbed is and vice versa.

The findings of statistical significances between fear and social intelligence carried by Pearson correlation coefficient are shown in Table 2.

Table 2: Pearson correlation coefficient between the selected lines of fear and social intelligence

Number	Social Intelligence		SS	SA
	I am afraid			
DOAS1	that I will be sick		-0,207**	-0,281**
DOAS2	that I will lose my job		-0,251**	-0,416**
DOAS3	that I will be lonely		-0,184*	-0,198*
DOAS4	that I will be old		-0,187*	-0,259**
DOAS5	that I will have debts		0,162*	-0,306**
DOAS6	for my family			-0,248**
DOAS7	everything will be more expensive		-0,217**	-0,284**
DOAS8	that I will be poor		-0,234**	-0,296**
DOAS9	that I will lose my friends			-0,202**
DOAS10	of social unrest		-0,266**	-0,258**
DOAS11	for my future		-0,408**	-0,332**
DOAS12	that I will socially fail		-0,312**	-0,236**
DOAS13	of violence		-0,154*	-0,258**
DOAS14	that nobody will help me		-0,260**	-0,274**

Source: Own processing

Social competence correlates with twelve of the fourteen lines of fear, and very significant findings were recorded in conjunction with concerns about the illness, job loss, poverty, that everything becomes more expensive. In addition to increasing social competence, decreases fear of respondents of social unrest, the future, of social failure, and fear that they remain without any assistance. Social responsiveness correlates with all items of fear, all except the fear of loneliness achieve a significant degree of significance. Table 10 shows only a negative correlation themselves. We can claim that with the increasing social competence and social susceptibility of respondents decreases their perception of fear.

Finally, we calculated the statistical significance between mobbing and social intelligence with the help of Pearson correlation coefficient. The results are presented in Table 3.

Table 3: Pearson correlation coefficient between the selected factors for mobbing and social intelligence

	<div>Social Intelligence</div> <div>Mobbing</div>	SS	SA
1.	Soft mobbing	- 0,209**	-0,236**
2.	Hard mobbing	-0,185*	-0,194*
3.	Bossing		-0,155*
4.	Social devaluation factor		-0,190*

Source: Own processing

All correlations in Table 3, as in Table 2 are negative in nature, which means that if the respondents are more socially sensitive and socially fit, the less is their perception of mobbing. The most significant correlations of social competence and sensitivity are in conjunction with Soft mobbing. Individuals who are socially sensitive also feel less Bossing and Factor of social devaluation.

Applying cluster analysis to five factors, which are the result of the questionnaire NAQ, we obtained respondents division into two clusters. Variable, which is a product of analysis, we call *cluster* and its two values the more mobbed and less mobbed. For each variable is evaluated a statistical test, which tests whether variable average is significantly higher, or lower than the overall average of all respondents. Depending on the variables and which direction they differ significantly from the overall centroid, we assess cluster. Test of significance of differences in the averages of the original variables Soft mobbing, Hard mobbing, Bossing, Manipulative mobbing and Factor of social devaluation, showed that the name of value of the variable cluster is clear and indisputable in terms of all five factors (Table 4). Figure 1 also shows the significance of all five factors in both clusters, and also in terms of the direction in which the factor average in cluster differs from the total centroid.

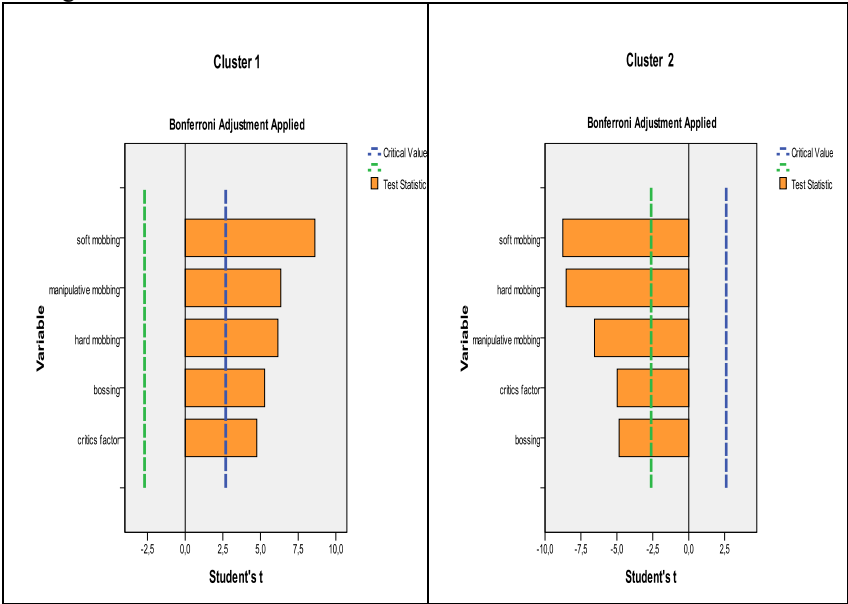
Hypothesis H1 is thus confirmed.

Table 4: Test of significance of the difference in the averages of the factors according to the cluster

	Cluster	N	Mean	Std. Deviation	T test Sig.
Soft mobbing	more mobbed	45	1,7535	,30806	10,938
	less mobbed	133	1,2242	,17606	,000
Hard mobbing	more mobbed	45	1,4000	,27155	8,005
	less mobbed	133	1,0664	,11411	,000
Bossing	more mobbed	45	2,2444	,60586	6,618
	less mobbed	133	1,6075	,38329	,000
Manipulative mobbing	more mobbed	45	2,0222	,53842	8,068
	less mobbed	133	1,3409	,30281	,000
Social devaluation factor	more mobbed	45	1,9889	,53554	6,051
	less mobbed	133	1,4812	,29776	,000

Source: Own processing

Fig. 1: Significance of factors in clusters



Source: Own processing

Dividing respondents into two clusters, we obtain the following distribution (Table 5).

Table 5: Cluster distribution

	N	% of Combined	% of Total
Cluster more mobbed	45	25,3%	25,0%
less mobbed	133	74,7%	73,9%
Combined	178	100,0%	98,9%
Excluded Cases	2		1,1%
Total	180		100,0%

Source: Own processing

For the test sample of respondents, confirmed is the fact that the previous works (Juhás, Litavcová 2009) revealed that approximately one quarter of the population is mobbed. We were interested in the relationship between mobbing and social intelligence. Since we now have available dichotomous variable cluster, it was possible to verify the relationship by significance test of averages difference. Test showed (Table 6) that less mobbed respondents achieve statistically significant higher scores in variables Social Skills and Social Awareness (numbers of respondents not conformed to the previous table are due to the lack of measurements in the questionnaire TSIS). This, which was confirmed abovementioned more fragmented, on individual factors related to mobbing, has been shown by variable cluster, incorporating inside all the factors.

Hypothesis H3 is thus confirmed.

Table 6: Test of the significance of the difference in the averages of the factors according to the cluster

	Cluster	N	Mean	Std. Deviation	T test Sig.
Social information processing	more mobbed	40	32,50	7,726	-,139
	less mobbed	125	32,69	7,339	,889
Social skills	more mobbed	40	30,13	7,356	-2,673
	less mobbed	125	33,41	6,564	,008
Social awereness	more mobbed	40	31,75	7,302	-2,344
	less mobbed	125	34,61	6,517	,020

Source: Own processing

What is the relationship of the respondent to more or less mobbed cluster and the degree of feeling of fear, following table (Table 7) shows significant correlation with five of the fourteen studied forms of fear (indicated by bold letter). Test of maximum reliability and contingency tables, not shown here, show that the items, *I fear, that I will loose job, that I will be in debt, that I lose friends, I fear no one will help me*, of DOAS questionnaire, statistically significantly more mobbed respondent inclined to values *I fear* and *I fear a lot*, as one would expect, subject to the assumption of independence. In some cases, the standardized residuum received a value greater than 3.

Hypothesis H2 is thus confirmed.

Table 7: Test of the ratio of variable reliability cluster and variables related to fear

	Likelihood Ratio	d.f.	Sig.
DOAS1	8,985	4	,061
DOAS2	13,560	4	,009
DOAS3	2,231	4	,693
DOAS4	8,709	4	,069
DOAS5	19,460	4	,001
DOAS6	5,386	4	,250
DOAS7	3,107	4	,540
DOAS8	7,541	5	,183
DOAS9	9,826	4	,043
DOAS10	7,537	4	,110
DOAS11	15,752	4	,003
DOAS12	7,264	4	,123
DOAS13	4,623	4	,328
DOAS14	10,407	4	,034

Source: Own processing

We wondered what the link is to variable *cluster*, dividing respondents from less and more mobbed cluster in complex, in respect of all items of NAQ questionnaire, with demographic characteristics of respondents. There were

the following characteristics in disposal: *age, sex, marital status, education and inclusion.*

Fig. 2: Relationship of belonging to a cluster, and education



Source: Own processing

Only the characteristics of education showed a statistically significant relationship (Likelihood Ratio = 4,927, Sig. = 0,026). Other features have led to such calculated values of sig. level, that even at the larger sample it is impossible expect any significant relationship. The link is shown in Figure 2 **Hypothesis H4 is thus confirmed.**

As partly seen mobbing by the various factors derived from questionnaire NAQ lead to the significance with several demographic characteristics and overall mobbing represented by the variable *cluster* not confirming these significance, it raises the hypothesis that the various disadvantages in terms of mobbing on the one hand, caused by a certain amount of a particular demographic characteristics, are, on the other hand, balanced by the advantages of other elements of the NAQ. By overall look, the mobbing, in the whole population in accordance with the age, sex, marital status and inclusion, is of a neutral state.

Summary

There are many European studies on mobbing, harassment or stress at work, which reached similar general conclusions as we do in our research. These correlations indicate that respondents highly proficient and socially sensitive do not perceive the behaviour of others as mobbing and offensive, but rather as a challenge which it is necessary to cope in social situations. With the increase in social intelligence of respondents, decreases their perception of fear and mobbing and the fact remains that the more the individual is feared, the more mobbed is and vice versa. It is therefore in the interest of organizations to increase social intelligence of their employees.

Bibliography

1. Birknerová, Z., Juhás, J., Litavcová, E. 2009. Súvislosti medzi sociálnou inteligenciou, strachom a mobbingom v prostredí školy. In *Sociální procesy a osobnost 2009*, Člověk na cestě životem: rizika, výzvy, příležitosti. Třešť, 2009.
2. Čverhová, D. 2008. Mobbing a sociálna klíma v zamestnaneckých vzťahoch organizácie. In *Aktuálne manažérske trendy v teórii a praxi*. Žilina : EDIS ŽU, 2008, s. 216-221. ISBN 978-80-8070-966-2.
3. Frankovský, M., Štefko, R., Baumgartner, F. 2006. Behavioral-situational approach to examinig social intelligence. In *Studia Psychologica*, 2006, 48, 3, 251-258.
4. Juhás, J., Litavcová, E. 2008. Demographic and Organization Factors' Analyses in Relation to Mobbing in Companies. In *Management 2008*. Prešov : FMPU, 2008, s. 430-434. ISBN 978-80-8068-849-3.
5. Juhás J., Litavcová E. 2009. Segmentácia respondentov vo vzťahu k mobbingu na pracovisku. In *Aktuálne manažérske a marketingové trendy v teórii a praxi*. Žilina : EDIS ŽU, 2009, s. 244-249. ISBN 978-80-8070-966-2.
6. Kallwass, A. 2007. *Syndrom vyhoření v práci a osobním živote*. 1. vyd. Praha : Portál, 2007. 144 s. ISBN 978-80-7367-299-7.
7. Kratz, H.J. 2005. *Mobbing: Jak ho rozpoznat a jak mu čelit*. Praha : Management Press, 2005. 131 s. ISBN 80-7261-127-5.
8. Marlowe, H.A. 1986. Social intelligence: Evidence for multidimensionality and construct independence. *Journal of Educational Psychology*, 78, 52-58.
9. NAQ – Negative Acts Questionnaire: Einarsen, Raksen, Matthiesen og Helleøy, 1994; Hoel, 1999.
10. Ruisel, I. 1999. Inteligencia a osobnosť. Bratislava : Veda, 1999, 239 s. ISBN 80-224-0545-0.
11. Silvera, D. H., Martinussen, M., Dahl, T. 2001. The Thomso Social Intelligence Scale, a self-report measure of Social Intelligence. *Scandinavian Journal of Psychology*, 2001, 42, 313-319.

Contacts

PaedDr. Zuzana Birknerová, PhD.
Katedra manažérskej psychológie
Fakulta manažmentu
Prešovská univerzita v Prešove
Konštantínova 16, 080 01 Prešov, SR
E-mail: zbirknerova@unipo.sk

Mgr. Eva Litavcová
Katedra kvantitatívnych metód a manažérskej informatiky
Fakulta manažmentu
Prešovská univerzita v Prešove
Konštantínova 16, 080 01 Prešov, SR
E-mail: litavcov@unipo.sk

PhDr. Ján Juhás
Katedra manažérskej psychológie
Fakulta manažmentu
Prešovská univerzita v Prešove
Konštantínova 16, 080 01 Prešov, SR
E-mail: juhas@unipo.sk

*** VEGA grant 1/0831/10**

Social Intelligence in Managerial Competence*

Miroslav Frankovský – Milina Baranova

University of Prešov in Prešov, Faculty of Management

Abstract

Social intelligence represents an important predictor for success in managerial work. We can include it into context of psychological competence of managerial profession, with a direction to social context of this profession. In contribution we present a concept of original authentic research method for identification of social intelligence components, with a specific direction to managerial activities. Within a considered concept of the research method we have paid our attention especially to indicators such as self-reflection, empathy and team work.

Key words

social intelligence, self-reflection, empathy, team work, management

The effort to know, to diagnose managerial competencies and on this basis to predict managers' behavioural in the specific situations is one of the most decisive conditions of the effective managerial work, as well as of increasing of its quality.

Managerial activities are performed in various contexts. Interpersonal situations and the way people behave in these situations of social contact create a specific area of managerial work. Although we generally assume that the human behaviour is socially determined, there are situations in which the dominant role plays the aspect of both social interaction and social context. In all these situations the aspect of social interaction of an individual, of social environment, presence of mutual relations of social objects (persons, groups, social objects) is emphasized. The social dimension of these situations is therefore accented.

Managers solve interpersonal situations, they behave individually and differently in them. Some of them feel comfortable, engaging in them doesn't bother them, and they even seek after them. Others avoid these situations, they don't feel comfortable when in them, they don't know in which ways to behave. The causes of these differences can be found in many spheres and can be analyzed from various angles. The specifics of behaving in these situations may obviously be caused by characteristics on individual level of the manager (temperament, personable characteristics) and on the level of situation (conflict, friendly atmosphere, danger). The analysis of links between

manager's behaviour in interpersonal situation and possible predictors of this behaviour is therefore represented by varied range of factors – both on the side of an individual and of concrete interpersonal situation.

Managers get involved in problematic social situations almost daily and must often mobilize all their power with greater or smaller success, when solving them. There are also cases when managers fail in these situations.

A manager cannot take decisions without consideration of social context. He/she can manage only when he/she knows the opinions and needs of the co-workers. Consequently he/she can suitably influence them. (Pauknerová, 2006) This fact is expressed in almost every specification of managerial competencies, where we in bigger or smaller extent encounter also characteristics connected to social sphere of managerial work. Pauknerová (2006) also introduces:

- conditions for organisational work
- participation in social events
- entry into social interactions
- giving and demanding more information
- bigger dominance
- detached view and sense of humour.

Hančovská (2010) from the view of social context of managers' behaviour has paid attention to following areas:

- ability to fulfil needs of members of the managed group
- asserting as a personality in interpersonal relationships at workplace
- managing social aspects of the function
- managing social position of a leader

Henry and Pettigrew (Armstrong, 1999) have also pointed out the intended approach to creating and managing personal systems, and the understanding to people in a organisation.

All managerial competencies (as well as social competencies) must be both understood and interpreted in general context of manager's personality. The personality of a manager is an integral part which connects all competencies into one integral complex. Also, the management must confront and implement them in the concrete situation.

From the view of manager's personality and social context of his work Majerčák ad Farkašová (2005) present these personable characteristics:

- control of one's behaviour
- perception and understanding for others
- resistance to social pressure
- finding mutual suitable solutions

The opportunity to specify and know social intelligence as one of the important competencies of effective managers' behaviour enables:

- to make decisions with greater extent of probability of successful mastering of managerial activities during the selection of people
- to implement preparation and training of managers in social competencies area

In this context social intelligence is regarded as one of the substantial psychological characteristics for prediction of manager's behaviour in the social situation and for interpretation of its results.

The issue of social intelligence most frequently occurs in personnel management (solving of conflicts in relationships, rewarding, motivation of employees, e.g.) It is however necessary to give notice that other managerial activities (dealings about important decisions, business dealings) are also markedly influenced by the social intelligence.

Social intelligence is a real individual characteristic and the beginnings of efforts to its measuring gain on Thorndike (Kihlstrom, Cantor, 2000). Nevertheless, in trying for its more accurate definition, we encounter certain difficulties. (Silvera, Martinussen, Dahl, 2001).

Thorndike (Weisová, Süss, 2007, page 228) defines social intelligence as an „ability to understand and manage men and women, boys and girls and act wisely in the relationships.“ Mentioned author in his definition inclines to duo-factor structure of social intelligence's definition and within this structure he distinguishes cognitive components (understanding for other people, co-workers, business partners, e.g.) and behavioural components (wise behaviour in relationships) of social intelligence. Similarly is social intelligence defined by Marlowe (1986). He conceptualizes it as an ability to understand people and social interactions, and implement this knowledge in leadership and interaction with others, for general satisfaction. From the presented definitions it is obvious that social intelligence has a close connection also to managerial work.

Conceptualization of the term social intelligence suggests one of the substantial problems discussed within this issue from its beginnings, which is discerning social intelligence from other similar categories (academic intelligence, emotional intelligence, practical intelligence, or communication, social influence, e.g.). In relation to this fact there also occurs the definition of facilities and methods of its determination. We too face similar problem in diagnosing of psychological and social competencies of managers.

In relation to this question it is important to notice that all procedures of people when solving problems are understood as socially determined. From

the view of social intelligence is the attention however paid to context of these problems, which is dominantly determined by concrete social context (relationships at workplace, interpersonal conflicts, e.g.)

The existence of social intelligence is also supported by Gardner (1993). According to him we cannot consider only one kind of intelligence, but we on the contrary must specify individual kinds of intelligence. Although some researches didn't confirm the existence of differences between social and academic intelligence, there are researches (Ford, Tisaková, 1983) where the differences were captured, or they specified dimensions of social and academic intelligence – here the connection was found (Makovská, Kentoš, 2006).

It is obvious that the concept of social intelligence and of its understanding is very close to the term of emotional intelligence. Close connection between social and emotional intelligence was also suggested by Bar-On (2006) – they understand it as a description of two aspects of the very same construction, and that most of existing definitions of both social and emotional intelligence include one or more of the following abilities:

- understanding and expressing emotions in a constructive way
- understanding of feelings of others and forming cooperative interpersonal relationships
- effective management and control of emotions
- handling new situations realistically and solving problems of personal and interpersonal nature
- optimism, positive tuning and motivation for formulating and achieving goals

In the concept represented by this author two groups of characteristics clash – intrapersonal dimension (knowing and realization of our own positive and negative features) and interpersonal dimension (knowing and realization of feelings of other people). From the view of this concept for characterisation of social intelligence, focusing attention to both these dimensions is important. Therefore it is not enough just to know, realize, predict behaviour and feelings of other people, but it is also necessary to know and understand our own features.

Leaders with both social and emotional intelligence are in certain advantage in comparison to their competitive. Emotionally skilled is a person who is able to manage his own values, aims and activities (Birknerová, 2010).

From the view of implementing this construction into solving concrete problems in people's lives it is perhaps more important to point out the fact that emotional intelligence doesn't necessarily have to refer to situations of

real social context with dominant position. It may refer to solving emotional states which are individual problems of a concrete person and where the social context as an individual development characteristic is only secondarily involved. This fact describes Goleman (2006) as a self-management, an opposite to relation management typical for social intelligence.

In all these approaches more or less resonate also second very often discussed problem related to social intelligence, which connects with definition of structural aspects of this term. This question initiates discussion in context of multidimensional characteristics of social intelligence's definition category.

Discussion about the spectrum of aspects of social intelligence's structure concludes in emphasis of either cognitive extent of understanding social intelligence (that is an ability to understand other people; Barnes, Sternberg, 1989) or focusing on behaviour (that is solving interpersonal situation; Ford, Tisak, 1983), and in accenting of behavioural aspect of this problem. Characterisation of these two aspects of social intelligence connects, as we mentioned, with Thorndike's approach to social intelligence.

Emphasizing of cognitive approach to definition of social intelligence uses the fact how a human understands, interprets, his own behaviour and behaviour of other people, and how in dependence from this interpretation is he able to effectively manage his behaviour too.

Silvera, Martinussen and Dahl (2001) present that social intelligence consists of these components:

- perception for inner states and moods of other people
- general ability to deal with other people
- knowledge about social norms and social life
- ability to know about social situations
- usage of social techniques enabling manipulation
- dealings with other people
- social attraction (charm) and social adaptation

Kosmitzki and John (1993) detailed these components of social intelligence: perception of mental states and moods of others, general ability to deal with other people, knowing of social rules, insight and perception for complex social situations, using social techniques for manipulation with people, taking over perspective of others, social adaptation.

Behaviourally oriented approaches are more focused on behaviour that means the ability to successfully influence other people (Ford, Tisak, 1983).

Specification of both psychometric and personable approach as two basic lines of social intelligence's study (Kihlstrom, Cantor, 2000) represents

another, third problem discussed in this field of cognition. Psychometric approach conceptualizes and operationalizes social intelligence as a characteristics or a group of qualities – within which people can be compared in dimensions low vs. high; in this case the difference between study of academic intelligence and social intelligence is only in orientation to the social sphere. Nevertheless, the representatives of personal approach regard social intelligence on a base of behaving in different interpersonal situations, which is not strictly assessed in dimension of performance. Fair attention is focused on aspect of subjective opinion on the situation.

Another, not so frequently discussed question, is a problem connected with prosocial or antisocial context of social intelligence. In common, everyday language is „socially intelligent behaviour“ more or less automatically assessed as prosocial, moral, ethic. We think construction of social intelligence in this meaning has a negative charge. According to Birknerová, Janovská, Ištvaníková (2009) social intelligence is a construction which can be both used in prosocial and antisocial context.

Social intelligence ranks among competencies which distinguish workers with different level of performance. Here belong self-consciousness, social consciousness and relation management. Social competencies, an ability to communicate and lead people should be a part of the basic skills of a manager (Birknerová, Janovská, 2010).

One of the possible conceptual approaches to delimit and research social intelligence is behavioural-situational concept of social intelligence. This concept comes from the application of situational approach, where aspect of behaving in social situation was accented. In relation to chosen antecedents and consequents, the situational approach comes from a precondition: manager's behaviour is in relation to individual situations not homogeneous. On the contrary, it considers situation or type of situation as one of the possible causes of behaviour's modification (Ruiselová, 1994).

The conception of behavioural-situational approach to social intelligence was simultaneously inspired by some conceptions made in context of social intelligence's study and by methodology made on the base of similar approaches. Concretly it was a conception of Getter and Nowiski (Lorr, Youniss, Stefic, 1991) dedicated to investigation of interpersonal skills; a conception of Van der Maesen de Sombreffo (2000) aimed at problem of recording of social insight; a conception of Gresham and Elliott ((Lorr, Youniss, Stefic, 1991) where attention is focused on appraisal and self-appraisal of social behaviour; and finally a conception of Lorr, Youniss and Stefic (1991) oriented to study of social relations.

We especially leaned on approach of Ford and Tisak (Kihlstrom, Cantor, 2000) who thank to their researches came to conclusion that the measuring of social intelligence is more effective when on the base of knowing behavioural effectivity in social situations than when on the cognitive understanding of social situations.

Within the preparation and verifying of behavioural-situational concept of social intelligence, the original methodology for investigation of social intelligence – RIPS (Solving problematic interpersonal situations) (Baumgartner, Frankovský, 2004) has been suggested. It is considered to be one of the suitable approaches also in the diagnosing of social intelligence as a manager's competence.

From the methodological view the questionnaire RIPS comes, as we mentioned, from the situational approach and behaviour appraisal. Respondents were literally presented by a concrete social situation and simultaneously by 18 forms of possible behaviour in the situation. These forms, in the meaning of acceptance or refusal, are assessed by respondent on 6-points' scale of interval type (definitely yes, yes, more yes than no, more no than yes, no, definitely no).

A content of suggested situation was selected from the view of its universality and of precondition that every human has met with this situation in his life.

Description of the situation:

You greet some acquaintance, that you haven't met for a long time, on the street. He/she does not respond to you. What will you do?

Examples of possible behaviour:

- *I will stop him/her and ask him/her what's the matter.*
- *I will not pay attention to it and will continue walking.*
- *I will complain about his/her behaviour to our mutual friends.*

Verification of the mentioned methodology was implemented in research, in which 564 respondents participated – 96 men and 468 among them. Their average age was 24,9 (age range from 19 to 53).

Factor analysis (method of Principal components with Varimax rotation) on the base of acquired data enabled to specify four factors (Chart 1, Picture 1) which totally explicated 55,9% of variance.

Table 1: Seeding of individual factors by the items of RIPS method (eigenvalue, % of explained variance)

	Component			
	1	2	3	4
RIPS1	,075	-,786	,073	-,081
RIPS2	,109	-,430	,316	,114
RIPS3	-,320	,735	,100	-,006
RIPS4	-,090	,798	,238	-,014
RIPS5	,102	-,076	,082	-,743
RIPS6	,096	,014	,146	,822
RIPS7	,418	-,075	,225	,599
RIPS8	,794	-,210	-,050	,095
RIPS9	-,752	,243	,141	-,099
RIPS10	,001	-,155	,388	-,140
RIPS11	,627	,037	,316	,113
RIPS12	,830	-,076	-,065	,017
RIPS13	-,080	,100	,647	,236
RIPS14	-,114	,191	,769	,149
RIPS15	,432	,011	,342	-,032
RIPS16	,146	,664	,098	,085
RIPS17	,723	,067	-,116	-,074
RIPS18	,081	,099	,736	,020
Eigenvalue	3,830	3,053	1,787	1,392
% total variance	21,3	17,0	9,9	7,7

The presented factors in essence represent three-component structure of social intelligence, within which we can specify behavioural, social-emotional and cognitive component; behavioural component is specified on 2 factors here (present and future behaviour). These factors represent following contexts:

F1 – *behavioural solution in the future* – respondents who score low in stated factor prefer negative behavioural reaction to situation; they are angry with the person, next time they don't greet him/her as a first, they will look like they didn't see him/her or won't respond to his/her greeting. This solution represents hot-tempered managers who deal with the situations aggressively, this reaction also negatively affects their behaviour in the future. They make their enemies, and this markedly affects their work as managers.

- F2 – *behavioural solution topical* – respondents who score low in stated factor don't leave the situation unnoticed, they will contact the person once more by greeting him/her, or they inquire about his/her reasons for not responding on their previous greeting. From the managerial view their behaviour will be accommodating, they will not leave the problems unsolved, they try to find solution even in an unpleasant situation.
- F3 – *cognitive adaptation* - respondents who score low in stated factor will think about their previous behaviour to the person – if they didn't hurt him/her somehow, or of what might have happened to him/her; in this meaning they will try to get some information from their acquaintance. This factor represents the managerial procedure where managers, before trying to get the most possible information, think over the procedure; they address their colleagues, e.g.
- F4 – *emotional release*- respondents who score low in the factor don't immediately react to the situation, but they do talk about this story with their friends or they complain about it. In managers' case it is more about overlooking problems, postponing solutions, or the effort to (if possible) avoid this situation.

We presume that the suggested structure of the method will enable to effectively and meaningfully capture social intelligence of managers, as one of the many competencies of success in their managerial work.

It is obvious that in relation to validity of this method it will be necessary to implement another researches and analysis which should confirm substantial psychometric parameters of developed method.

At the same time it will be necessary to apply this method from the view of verifying RIPS methodology in different managerial contexts. The reason for it is to confirm the level of generalization of its possible usage in the practice.

Bibliography

1. ARMSTRONG, M., *Persoální management*. Praha, Grada Publishing, 1999.
2. BARNES, M. L., STERNBERG, R. J., *Social intelligence and decoding of nonverbal cues*. Intelligence, 1989, 13, 263-287.
3. BAR-ON, R.: *TheBar-On Model of Emotional-Social Intelligence (ESI)*. Psicothema, 2006, 18, 13-25.
4. BAUMGARTNER, F., FRANKOVSKÝ, M., *Possibilities of a situational approach to social intelligence research*. Studia Psychologica, 2004, 46, 4, 273-277.
5. BIRKNEROVÁ, Z., *Aspekty sociálnej a emocionálnej inteligencie v praxi*. In Manažment podnikania a vecí verejných – dialógy, vedecko-odborný časopis, Bratislava, Slovenská akadémia manažmentu, 2010, 5, 12, 7-18.

6. BIRKNEROVÁ, Z., JANOVSÁ A., Sociálna inteligencia, interpersonálne a osobnostné črty študentov manažmentu. In *Journal of Management and Business: Research and Practice*. Prešov: FM PU, 2010.
7. BIRKNEROVÁ, Z., IŠTVÁNIKOVÁ, L., JANOVSÁ A., Osobnostné charakteristiky a hodnotové orientácie študentov manažmentu v kontexte sociálnej inteligencie. In *Sympózium Manažment '09*. Žilina, Inštitút manažmentu ŽU, 2009, 32-38.
8. FORD, M. E., TISAK, M. S., A further search for social intelligence. *Journal of Education Psychology*, 1983, 75, 196-206.
9. GARDNER, H., *Multiple Intelligences: The Theory of Multiple Intelligences*. New York, Basic Books, 1983.
10. GOLEMAN, D., *Emoční inteligencia*. Praha, Columbus, 1997.
11. HANČOVSKÁ, E., *Osobnosť manažéra a zvládanie náročných situácií v manažmente*. Dizertačná práca, Prešov, Prešovská univerzita, 2010.
12. KIHLSSTROM, J. F., CANTOR, N., Social Intelligence. [http://ist - socrates.berkeley.edu/~kihlsstrm/social_intelligence.htm](http://ist-socrates.berkeley.edu/~kihlsstrm/social_intelligence.htm), 26.6.2010.
13. KOSMITZKI, C., JOHN, O. P., The implicit use of explicit conceptions of social intelligence. *Personality and Individual Differences*, 1993, Vol. 15, pp. 11-23.
14. LORR, M., YOUNISS, R. P., STEFIC, E. C., An Inventory of Social Skills. *Journal of Personality Assessment*, 1991, 57, 506-520.
15. MARLOWE, H., A., Social Intelligence: Evidence for Miltidimensionality and Construct Indepedence. *Journal of Educational Psychology*, 1986, 78, 52-58.
16. MAKOVSKÁ, Z., KENTOŠ, M.: Correlates of Social and Abstract Intelligence. *Studia Psychologica*, 2006, 48, 3, 259-264.
17. PAUKNEROVÁ, D., *Psychológia pro ekonomy a manažery*. Praha, Grada Publishing, 2006.
18. RUISELOVÁ, Z., Charakteristiky situácie a zvládanie. In RUISELOVÁ, Z., FICKOVÁ, E. (Eds.), *Poznávanie a zvládanie záťažových situácií*. Bratislava, Ústav experimentálnej psychológie, 1994, 3-16.
19. SILVERA, D. H., MARTINUSSEN, M., DAHL, T. I., The Tromso Social Intelligence Scale, a self-report measure of social intelligence. *Scandinavian Journal of Psychology*, 2001, 42, 313-319.
20. VAN DER MAESEN DE SOMBREFFA, P., SQ-test: Social Quotient Test. <http://www.ou.nl/open/wpo-psy/ACpresentaties/Sqtest.ppt>, 2000, 26.6.2010
21. WEIS, S., SÜß, H., M., Reviving the Search for Social Intelligence. A Multitrait – multimethod Study of its Structure and Construct Validity. *Personality and Individual Differences*, 2007, 42, 3-14.

Contacts

doc. PhDr. Miroslav Frankovský, CSc.

University of Prešov in Prešov

Faculty of Management

SLOVAKIA

E-mail: franky@unipo.sk

Mgr. Milina Baranová
University of Prešov in Prešov
Faculty of Management
SLOVAKIA
E-mail: baranova.milina@gmail.com

***VEGA grant 1/0831/10, CEVKOG**

Value Preferences of Persons with Submissive or Dominant Personality Traits

Lucia Ištvaníková – Anna Janovská

University of Prešov in Prešov, Faculty of Management

Abstract

The aim of the presented paper is to focus attention on the value preferences of persons with submissive or dominant characteristics. We were interested in whether the value preferences of persons with submissive characteristics differ from the preferences of persons with dominant characteristics. We also measured differences between groups of respondents with mentioned personal characteristics in terms of age, gender and other factors. Dominance and submission were measured by IPQ questionnaire (The Interpersonal Questionnaire), the authors of which are Trapnell and Wiggins and which is based on a circumplex model of interpersonal behavior. Value preferences were examined on the grounds of Schwartz's Portrait Values Questionnaire (PVQ).

Key words

Personality, IPQ, PVQ

In a study of various socio-psychological phenomena, personality factors are very important aspects, to a large degree determining behaviour and survival. Studies focused on personality traits and values show predominantly endogenous nature of personality factors, while values are more associated with learning and adaptation – they are more affected by the environment. Boroš (1995) defines person's orientation on certain values as a value orientation and adds that it can be seen as a process in which values are formed and exerted. Value orientation represents a certain consciousness axis which is closely related to the thoughts and feelings and in terms of which many life issues are decided. It touches on all aspects of human existence and develops throughout human life to varying degrees and forms. Value orientation serves as a regulator of behavior determining likely or possible direction of activity, operating mainly in decision-making situations, objectifying itself in a particular human activity. Similarly, according to Schwartz (1992), the value orientation expresses relative importance of different values for the human or social group.

In our paper we focus attention on two personality traits: dominance and submissivity and their connection to value preferences. The tools we have used to measure these characteristics are based on a circular model of interpersonal traits. The beginnings of the interest in demonstration of an individual in interpersonal relations can be dated back to the 1950s. This view is based on the assumption that human behavior in social interactions is based on more permanent personality characteristics, thus the study of interpersonal behavior enables personality diagnosis. The circumplex tradition in interpersonal psychology was inspired by the interpersonal theory of Harry Stack Sullivan (1953, according to Trobst, 2000), who is the founder of a new view of understanding the interactions between an individual and the society. Sullivan's approach is aimed at human relations in the effort to change the improper formulas for behavior, which originated on the basis of present and past experience of anxiety, lack of security, and avoidance. Sullivan stresses providing love and status in social relations. Thanks to the works of Timothy Leary (1957), who is the author of a circumplex arrangement of features known as the interpersonal circle, the tradition gained its significance. Leary is followed by the model of Wiggins, who, like Sullivan, within the neo-sullivan theory considers love and status a basic pillar of interpersonal relations (1979, according to Výrost, 2003). The „interpersonal circle“ can be regarded as a conceptual image of interpersonal behavior which accepts interpersonal variables as vectors in two-dimensional space (Výrost, 2008). Circumplex models are constructed upon the existence of basic coordinates which are determinative in an interpersonal exchange. For Leary it is DOM (dominance) and LOV (love) and for Wiggins (1979) it is similarly dominance and nurturance. In certain sense we can look at these coordinates as representatives of providing and negating love (Sullivan's security) and status (Sullivan's self-esteem).

Sample

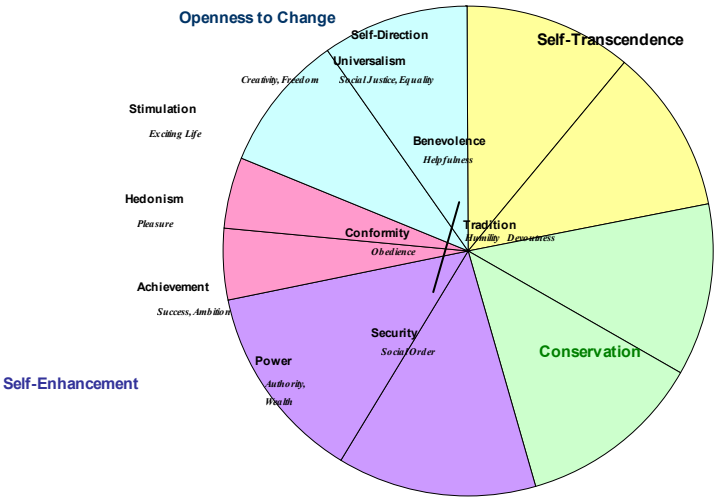
The research was applied to 202 students of the Faculty of Management of the University of Prešov in Prešov (144 female and 58 male). The mean age was 21.79.

Methodologies

Preference values of the sample were surveyed by questionnaire *Portrait Values Questionnaire (PVQ)*, which comprises 21 items and is derived from the original measuring instrument *Schwartz Value Survey (SVS)*, which consists of 56 items. The method detects preference of 10 values and 4 value

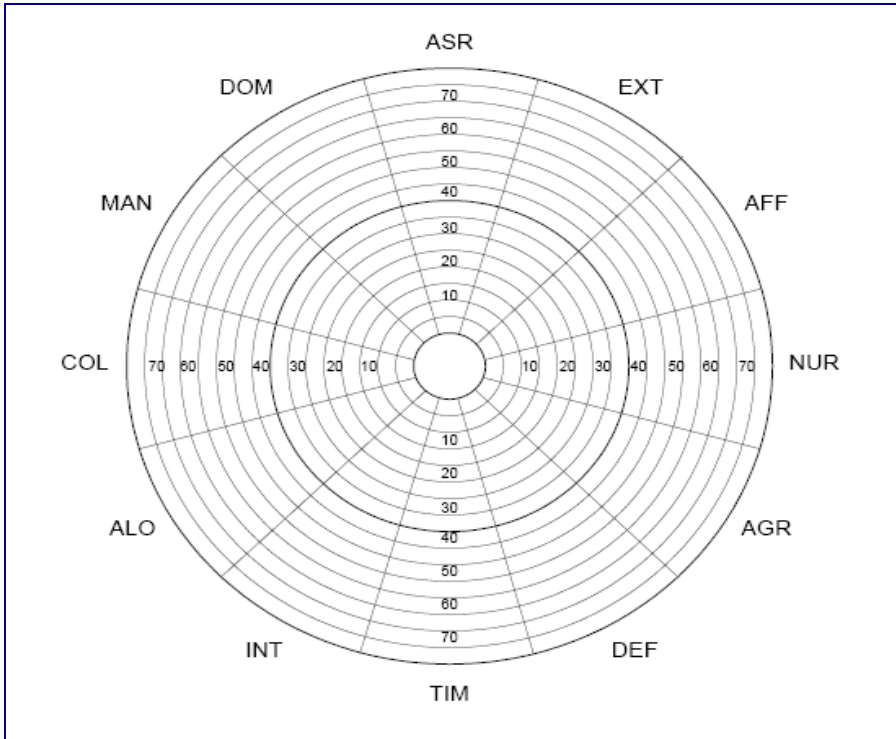
orientations (Fig.1). Dominance and submissivity were measured by *IPQ questionnaire (The Interpersonal Questionnaire)*, the authors of which are Trapnell and Wiggins (1992), and which is based on a circular model of interpersonal behavior. The questionnaire consists of 72 items, measuring total of 12 interpersonal behavior traits, including dominance and submissivity.

Fig. 1 Circle model of values (Schwartz, 2003) (revised Slovak version)



The questionnaire is based on a division of a circle into twelve parts representing individual characteristics of behavior: assertive (ASR), dominant (DOM), manipulative (MAN), coldhearted (COL), aloof (ALO), introverted (INT), timid (TIM), deferent (DEF), agreeable (AGR), nurturant (NUR), affiliative (AFF), and extraverted (EXT) behavior (Fig.2). The circumplex arrangement enables the variables placed next to each other to have a closer relationship than those further from each other, and the ones placed opposite to each other are counterparts in their meaning and content. For the purposes of our work, we used items measuring personality traits: dominance and submissivity (deferent behavior).

Fig. 2 Arrangement of the interpersonal behavior features measured by the IPQ on a circumplex model (Trapnell, Wiggins, 1992)



Hypotheses

1. We expect there are differences in preference values and value orientations of those with high scores in dominance factor and those with low scores in dominance factor.
2. We expect there are differences in preference values and value orientations of those with high scores in submissivity factor and those with low scores in submissivity factor.
3. We expect the value preferences and value orientations of those with high scores in dominance factor and low scores in submissivity factor to show similarities.
4. We expect value preferences and value orientations of those with low scores in dominance factor and high scores in submissivity factor to show similarities.

Results and interpretation

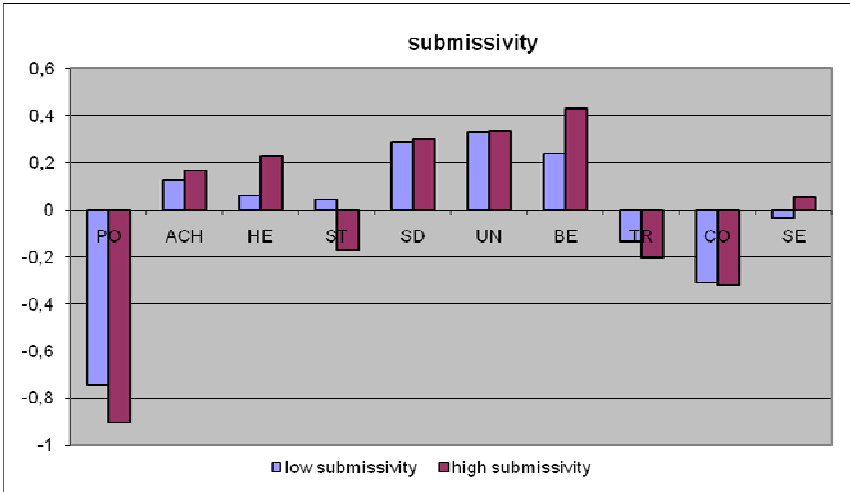
We discovered statistically significant differences between groups with high and low scores in dominance factor, in the preference of value strength and in value orientation of self-emphasizing. More dominant persons prioritized strength more than less dominant respondents. The same trend was measured in the case of preference self-emphasizing. Statistically significant differences between persons with low and high scores in submissivity factor were discovered in the preference values of strength and success and value orientations of openness to change and self-emphasizing. Students who perceived themselves as less submissive put more emphasis on the preference of these values and value orientations than those who perceived themselves as highly submissive. Measured values are reported in Table 1.

Table 1 Differences between the groups with high and low scores in the factors dominance and submissivity

Values and Value Orientations	Faktor Dominance		Faktor Submissivity	
	U-test	Sig	U-test	Sig
Power	378,5	0,35	312,5	,002
Achievement			366,00	,014
Openness to Change			370,50	,017
Self-Enhancement	383,00	0,04	299,50	,001

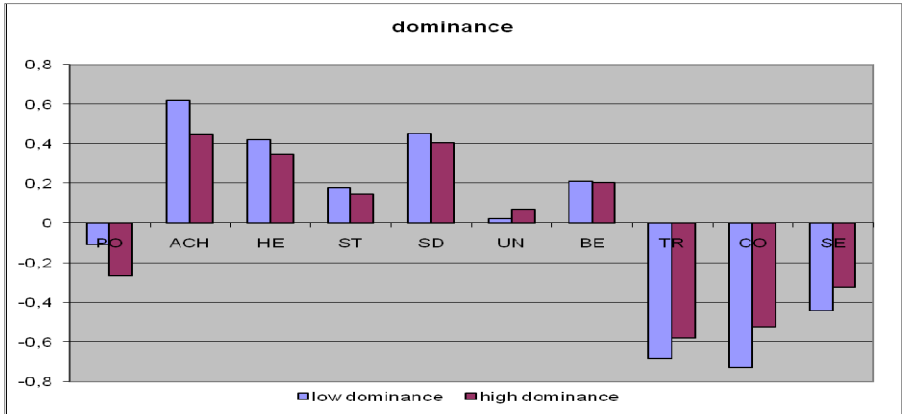
Those students of management who are good at convincing others and taking charge over them, who tend to undergo a confrontation, sometimes even at the cost of aggressive means prefer self-enhancement (focus on power, achievement, hedonism) more than those students who are perceived as soft, unaggressive persons with tendency to yield so as to avoid conflict. In this case, interpersonal behavior is in accord with their preferred value orientation. Thus, more dominant and less submissive future managers are more oriented to achieve the success and admiration of other people, want to be rich, pamper themselves and also enjoy their lives. Respondents who are perceived as less submissive (or as expressed by the original factor name: less "humbly respectful") have a higher preference for seeking out new impetuses, effort to be original and creative, they are more eager to enjoy life and devote time to things which make them happy in comparison to highly submissive persons (Fig. 3-6).

Fig. 3 Differences between groups of respondents with high and low submissivity in terms of value preferences



PO – power, ACH - achievement, HE - hedonism, ST – stimulation, SD – selfdirection, UN - universalism, BE - benevolence, TR - tradition, CO - conformity, SE- security

Fig. 4 Differences between groups of respondents with high and low dominance in terms of value preferences



PO – power, ACH - achievement, HE - hedonism, ST – stimulation, SD – selfdirection, UN - universalism, BE - benevolence, TR - tradition, CO - conformity, SE- security

Fig. 5 Differences between groups of respondents with high and low submissivity in terms of value orientations

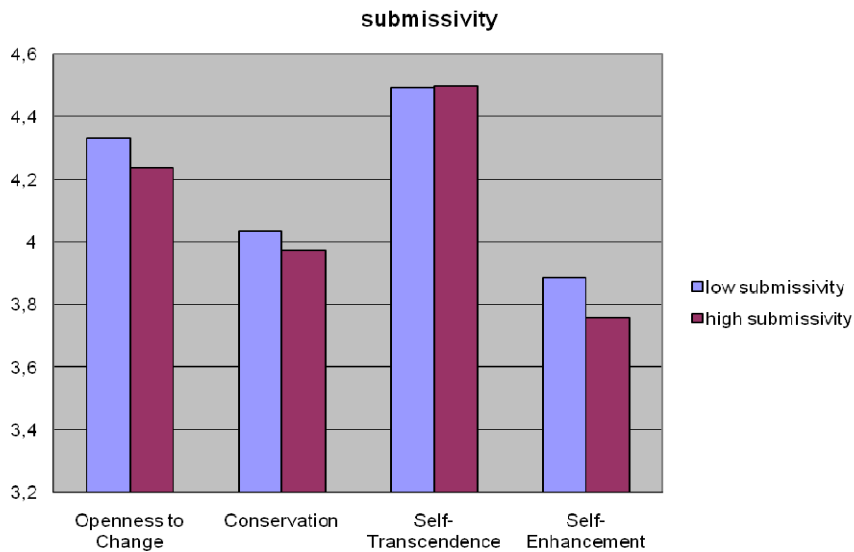
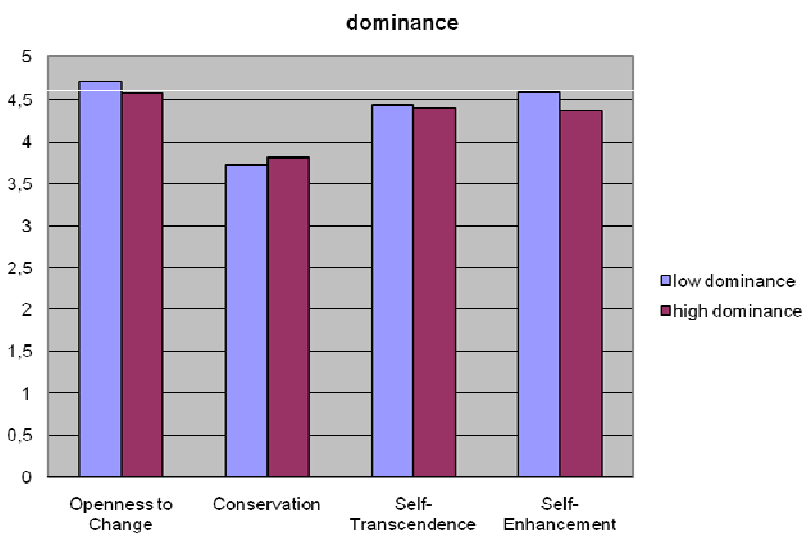


Fig. 6 Differences between groups of respondents with high and low dominance in terms of value orientations



Summary

Based on our findings we can conclude that students who are in the interpersonal interaction characterized as highly dominant and less submissive preferred individualistically oriented values (power, achievement) and value orientations (self-enhancement) more than those who perceived themselves as less dominant and highly submissive.

Our prediction about the similarity between the groups with high dominance and low submissivity and similarity between the groups with high submissivity and low dominance has been, within our research sample and in terms of individualistic values and value orientations, confirmed.

Bibliography

1. Boroš, J. 1995: Motivácia a emocionálnosť človeka. Bratislava: Odkaz, 1995.
2. Leary, T. 1957. Interpersonal diagnosis of personality. New York. Ronald Press, 1957.
3. Schwartz, S. H. 1992: Universals in the content and structure of values: Theory and empirical tests in 20 countries. In ZANNA, M. P. (Eds): *Advances in experimental social psychology*, 24, 1-65. San Diego, Academic, 1992.
4. Schwartz, S. H. 2003: Basic Human Values: Their Content and Structure across Cultures. In: Tamayo, A., Porto, J. (Eds.): *Valores e trabalho (Values and work)*. Brasília, Editora Universidade de Brasília, 2003.
5. Trapnell, P., Wiggins, J.S. 1992. IPQ, The Interpersonal Questionnaire. <http://io.uwinnipeg.ca/~ptrapnel/measures/IPQ76.RTF>
6. Trobst, K.K. 2000. An interpersonal Conceptualization and Quantification of Social Support Transactions. *Personality and Social Psychology Bulletin*, 2000, roč. 26, s. 971-986.
7. Výrost, J. 2003. Interakčný prístup k diagnostike osobnosti, Košice SAV, 2003.
8. Výrost, J. 2008. Sociální psychologie osobnosti. In: Výrost, J., Slaměník, I. (Eds.) *Sociální psychologie*. Praha: Grada. 2008. s. 69-87.
9. Wiggins, J.S. 1979. A psychological taxonomy of trait-descriptive terms. The interpersonal domain. *Journal of Personality and Social Psychology*, 1979, roč. 37, s.395-412.

Contacts

PhDr. Lucia Ištvaníková, PhD.
Department of Managerial Psychology
Faculty of Management
University of Prešov in Prešov
Konštantínova 16, 080 01 Prešov, Slovakia
E-mail: istvanik@unipo.sk

PhDr. Anna Janovská
Department of Managerial Psychology
Faculty of Management
University of Prešov in Prešov
Konštantínova 16, 080 01 Prešov, Slovakia
E-mail: janovska@unipo.sk

Self-Esteem, Social Intelligence, Personality and Their Interrelationship among Students of Management*

Anna Janovská – Zuzana Birknerová

University of Prešov in Prešov, Faculty of Management

Abstract

Our paper focuses on the level of self-esteem, degree of social intelligence and personality traits of students of management. We were also interested in what their interrelationship was like. The sample consisted of 566 students of full-time and part-time management studies. Social intelligence was measured through TSIS scale, self-esteem through RSE Rosenberg scale, and personality traits through NEO-ffi questionnaire. Self-esteem correlated positively with all three factors of social intelligence, extraversion and conscientiousness whereas correlated negatively with neuroticism.

Key words

Self-Esteem, Social Intelligence, Personality and Their Interrelationship among Students of Management

The level of self-esteem is continually created and changed in the course of the whole life of a person. Besides dispositional characteristics, an important role is played also by relationships with other people. According to Macek (1997), this phenomenon was first described by a sociologist Cooley in 1902, according to whom other people serve as a mirror in which we can see ourselves. This thought was further developed by Mead (1934), in accordance with whom our own self-esteem is influenced by the idea of, as we assume, how we are perceived and evaluated by our significant others.

Smékal (2002:353) understands self-esteem as „core of the personality, if by it we feel and undergo a state of appreciation and evaluation of own self. Self-esteem has two poles: satisfaction and dissatisfaction with self. We also perceive it as higher or lower self-reliance, higher or lower self-confidence“. For Kohoutek (2001:169), self-esteem is the centre of a person's personality. „Without certain minimum level of feeling of own value we cannot live. That is why one protects this level and if it decreases because of some reason, one tries to equalize it.“ In accordance with Harterová (1999, acc. to Konečná 2006:79) „we may look at self-esteem as a global characteristics of an

individual (for example, if someone says 'I am a person who is worth it.') or it reflects the individual dominant characteristics of a person, such as his/her cognitive, social, kinetic, and other abilities“. Self-esteem is therefore associated with the individual partial contents related to I, and also more general characteristics of self. „On the most general level, self-esteem is manifested as an overall relationship to self – global self-esteem, or self-worth“ (Macek 1997).

Social-personality approach in the study of intelligence is according to Ruisel (1999) orientated on the outer world of social interactions and social structures, on the role behavior in social systems, and on maintaining and development of human relations. The study of the personality structure can be performed in two ways of approaching the problem:

- an approach that presumes the existence of internal rules and connections between given properties
- an approach that is based on the opinion that features are not organized and investigation of the personality structure consists of making a complete list of personality features.

Social intelligence is charged neutrally; it is a construct which can be used in the pro-social, as well as the anti-social context. Requirements of the situation and personality aspects determine goals, in the name of which, in order to reach them, individuals may use their social intelligence (Kaukiainen 1999).

Silvera, Martinussen, and Dahl (2001) state that social intelligence consists of the following components: perceptibility of internal conditions and moods of other people, general ability to deal with other people, knowledge of social norms and social life, ability to orientate oneself in social situations, use of social techniques that enable manipulation, negotiating with other people, social charm and social adaptation.

Social intelligence belongs to the competences that distinguish workers with a different performance; for example, self-realization, social realization, and managing relations. Social competences and the ability to communicate and lead people should be an essential part of every manager's equipage.

When studying different socio-psychological phenomena, a very important aspect is personality factors or characteristics that determine behavior and empiricism in a considerable degree. Within various theories and personality models there is one that is nowadays most accepted and it is the Big Five, which is based on so-called five strong factors. The most advanced method identifying five general dimensions of personality is the NEO personality inventories (NEO-PI, NEO-PI-R, NEO-FFI) which have been being

developed since the 1970s by Costa and Crae (1992). The five-factor model consists of these dimensions: neurotism, extraversion, openness to experience, agreeableness, conscientiousness.

According to the Five-factor theory, personality features belong to the biologically given „basal tendencies“. A concrete demonstration of basal tendencies is „characteristics of adaptation“ (they are the result of an interaction between an individual and the environment, and also they are culturally dependent), which also involve social skills, self-understanding, strategy, styles, attitudes, etc. (Hřebíčková, Urbánek 2001). Therefore we supposed that social intelligence, which is related to social interactions and relations as well as to itself, will be directly connected with the measure of personality features, although the impact of environment plays an important role here also.

New requirements for personality of a manager are according to Gyurák Babel'ová, Vaňová (2008) also reflected into the area of personal development and education of managers. Besides professional knowledge, more and more attention is paid to the individual personality of a manager.

Research

The objective of the research was to map the level of self-esteem, social intelligence, and personality characteristics of students of management. We focused also on detection of relationships among individual components of social intelligence, personality characteristics, and self-esteem.

The research was applied on 566 respondents, the students of the Faculty of Management of the University of Prešov in Prešov, 468 of which were women and 98 men. Their average age was 24.88 (age range from 19 to 53).

Methodologies

The RSE methodology

The questionnaire on self-esteem, self-respect consists of 10 items, and it is a unidimensional questionnaire by Rosenberg (1965). Self-Esteem Scale detects the global relationship to self („I feel that I am as worthy a person as other people“). The respondents express their agreement with the five positive and five negative statements, which are related to their attitudes to themselves. The summary score varies from 10 to 40. The higher the score, the higher the self-esteem. The coefficient of reliability – Cronbach's alfa was 0.747 (Račková 2009).

The TSIS methodology

In the context of solving the given objectives and questions we also used a social intelligence methodology TSIS – Tromso Social Intelligence Scale (Silvera, Martinussen, Dahl, 2001). TSIS consists of 21 self-evaluation items, which are answered by respondents on a 7-point scale of agreement degree (1 – describes me extremely poorly, 7 – describes me extremely well). The questionnaire is divided into three subscales and enables to specify 3 factors:

SP – social information processing (e.g. I can predict how others will react to my behavior.)

SS – social skills (e.g. I am good at entering new situations and meeting people for the first time.)

SA – social awareness (e.g. I am often surprised by others' reactions to what I do.).

The NEO methodology

The most wide-spread method identifying five general personality factors are the NEO Personality Inventories by Costa and McCrae (1992). To measure personality characteristics we used the Slovak version (Ruisel, Halama, 2007) of the NEO Five-Factor Inventory (NEO-FFI), which was designed to measure five factors of personality. The methodology consists of 60 items divided into five dimensions (Neurotism (NEU), Extraversion (EXT), Openness to experience (OPE), Agreeableness (AGR), Conscientiousness (CON)), each of which is filled with 12 items.

Results and interpretation

Our objective was to map the level of social intelligence, the structure of personality, and the level of self-esteem in our sample of students of management. Considering the individual components of social intelligence, we may state that the most developed are social consciousness/perceptibility and elaboration of social information. Management students reached the lowest score in the component of social competences. This discovery claims the need for development of social competences of students in the course of their studies in the form of socio-psychological practices, whether within the Social Psychology subject (as realized in the present) or as an individual subject (should be considered for the future) (Graph 1).

The structure of personality characteristics is illustrated in Graph 2. We can see that the carrier personality traits of our students are conscientiousness, extraversion, and agreeableness. The lowest average score was measured in neurotism. This kind of personality profile of our students seems favourable in

respect of their future profession. Managers should be neurostable extraverts, who deliberately and responsibly approach fulfilling the tasks, and who realize the role of a leader with empathy, tactfulness, and sensibility.

Fig. 1: Average score in the individual components of SI – whole set

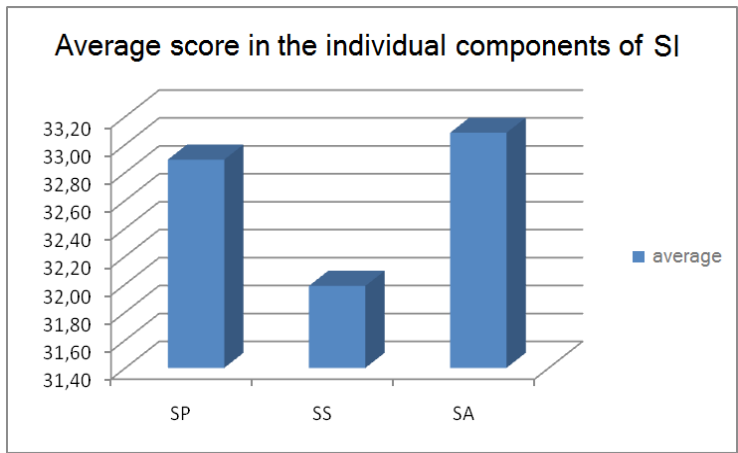
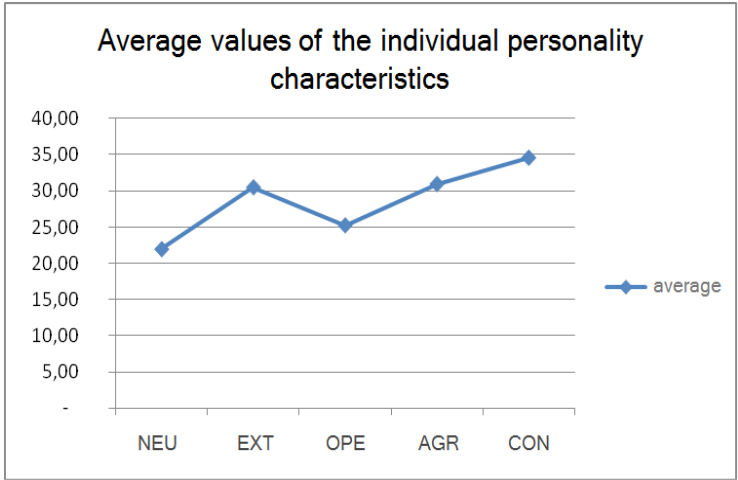


Fig. 2: Average values of the individual personality characteristics – whole set



We were interested in whether there are any differences in the observed variables from the point of view of gender. The results are illustrated in Graph 3 and Graph 4. Statistically significant differences were spotted only in the

personality traits neuroticism, conscientiousness, and agreeableness. Women seem to be more emotionally unsteady, more strong-minded, responsible, better controlling impulses, and more altruistic than men. In respect of the substantial inequality of women and men in our sample, it is important to regard these results with reserve. Within the individual components of social intelligence, there were no statistically significant differences from the point of view of gender.

Fig. 3: Differences in the average values of the individual components of SI from the point of view of gender

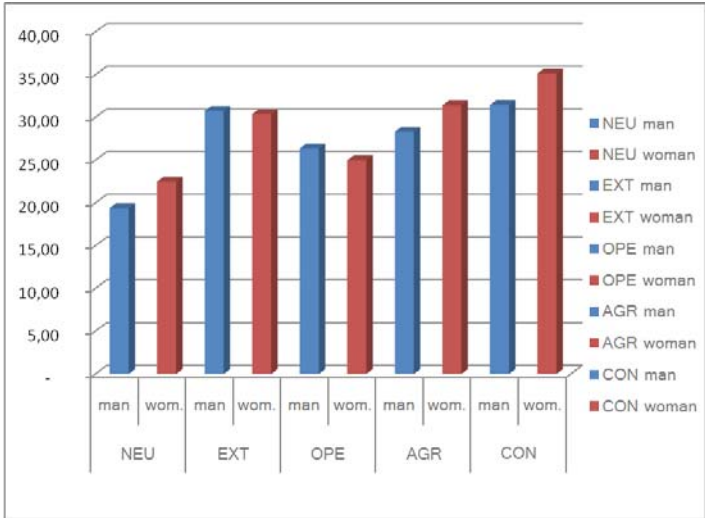
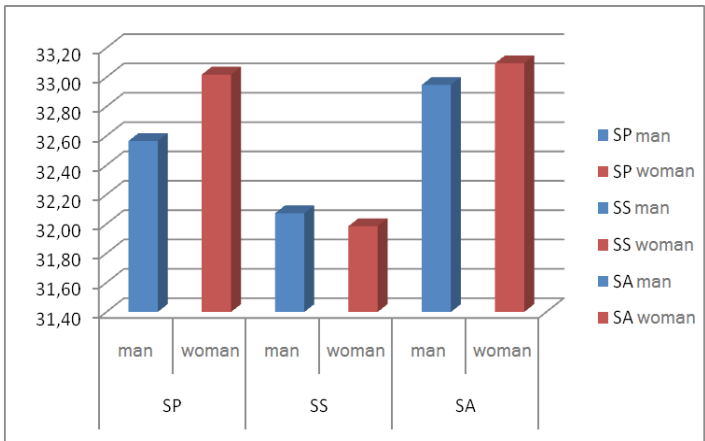


Fig. 4: Differences in the average values of the individual personality characteristics from the point of view of gender



We also concentrated on detection of relationship among the individual components of social intelligence and personality features of management students. As we can see in Figure 1, the features extraversion, openness, and conscientiousness statistically significantly positively correlated with all three components of social intelligence. Students who are sociable, open to others as well as to experience and new things, but also those who are strong-minded, reliable, responsible, and capable of controlling own impulses have also very strongly developed social skills, the ability to understand social situations and social perceptibility. Neuroticism statistically significantly negatively correlated with the level of social skills and social perceptibility. It means that emotionally unstable, anxious students have less developed presented components of social intelligence. However, the relationship between neuroticism and ability to process social information was not detected. The personality feature agreeableness statistically significantly correlated only with social consciousness/perceptibility, which means that altruistic, compassionate, and agreeable students are more socially perceptive than their contraries.

Table 1: Correlations between the components of social intelligence (TSIS) and personality features (NEO-FFI)

	SP	SS	SA
Neuroticism		-,444**	-,361**
Extraversion	,183**	,567**	,155**
Openness	,191**	,087*	,102*
Agreeableness			,370**
Conscientiousness	,181**	,295**	,108*

** p<0,01 * p <0,05

Correlations between the level of self-esteem and the individual components of social intelligence are illustrated in Figure 2. We may state that the higher developed social intelligence of students of management within all observed components, the higher their level of self-esteem, and on the contrary – self-confident students are at the same time more socially intelligent.

Table 2: Correlations between self-esteem (RSE) and the components of social intelligence (TSIS)

	RSE
SP	,204**
SS	,445**
SA	,284**

** p<0,01 * p <0,05

We also set a goal to detect the relationship between personality features and self-esteem. As we can see in Figure 3, neuroticism statistically significantly negatively correlates with self-esteem, extraversion and conscientiousness statistically significantly positively correlate with self-esteem. The relationship between self-esteem and personality features openness and agreeableness was not detected within our sample. A higher level of self-esteem was found in students of management, who are open to social contacts and who are responsible, strong-minded, and have well-developed volitional processes. On the contrary, the level of self-esteem of students decreases with the increasing emotional unstableness, feelings of uncertainty and anxiety.

Table 3: Correlations between self-esteem (RSE) and personality features (NEO-FFI)

	RSE
Neuroticism	-,562**
Extraversion	,398**
Openness	
Agreeableness	
Conscientiousness	,338**

** p<0,01 * p <0,05

Summary

Our research verified several connections between self-esteem, personality features, and factors saturating the construct of social intelligence. Social intelligence is in a positive relationship with the level of self-esteem in all detected components (SS, SP, SA). A higher level of self-esteem is connected to an extroverted, conscientious, and emotionally stable personality.

Extraversion, openness, and conscientiousness is in a positive relationship with all observed components of social intelligence. Agreeableness positively correlates only with social awareness. Neurotic people are less socially skillful and less socially perceptive. Our results are limited particularly by the sample, which is little differentiated, thus they require further verification.

What sounds positive is the personality profile of our research sample, which is dominated by conscientiousness, extraversion, and agreeableness. The justification of our effort to practically develop social skills within the studies of management is the discovery that these components of social intelligence of students are the least developed.

Bibliography

1. Costa, P.T., McCrae, R.R. 1992. *NEO PI-R Revised NEO Personality Inventory (NEO PI-R)*, Odessa, Psychological Assessment Resources, 1992
2. Ferencová, M., Gburová, J. 2010. Vnímanie vybraných nástrojov marketingovej komunikácie v masmédiách. In *EDAMBA 2010*. Bratislava: Ekonóm, EU v Bratislave, 2010. s. 157-163. ISBN 978-80-225-2972-3.
3. Gyurák Babel'ová, Z., Vaňová, J. 2008. Zážitkové učenie vo vzdelávaní manažérov. Experimental learning in management education. In *Materials Science and Technology* [online]. roč. 8, č. 3, 2008. ISSN 1335-9053.
4. Frankovský, M., Štefko, R., Baumgartner, F. 2006. Behavioral-situational approach to examinig social intelligence. *Studia Psychologica*, 2006, 48, 3, 251-258.
5. Hřebíčková, M., Urbánek, T. 2001. *NEO pětifaktorový osobnostní inventář*. Praha: Testcentrum, 2001.
6. Kaukiainen, A. et al. 1999. *The Relationships Between Social Intelligence, Empathy, and Three Types of Aggression*. *Aggressive Behavior*, 1999, 25, 81-89.
7. Kohoutek, R. 2001. *Poznávání a utváření osobnosti*. Brno: Cerm. 275s. ISBN 80-7204-200-9.
8. Konečná, V. 2006. Teorie vývoje a měření sebezpojetí u dětí. In *Sborník prací filozofické fakulty BU*, P 10. Brno: Masarykova univerzita, 2006. str. 12-22. ISBN 8021041447.
9. Macek, P. 1997. Sebesystém, vztah k vlastnímu Já. In Výrost, J., Slaměník, I. (Eds.). *Sociální psychologie*. Praha: ISV, 1997, s. 181-207.
10. Mead, G. H. 1934. *Mind, Self and SD society*. Chicago: Chicago University Press, 1934.
11. Račková, M. 2009. Existenciálny zmysel a behaviorálne charakteristiky spojené s fajčením cigariet u vysokoškolákov. In *Sociálne a politické analýzy* 2009, 3, 2, s. 47-83. ISSN 1337 5555.
12. Rosenberg M. 1965. *The measurement of self-esteem*. In *Society and the Adolescent self-image*, Princeton, New Jersey, s. 16-319.
13. Ruisel, I. 1999. *Inteligencia a osobnosť*. Bratislava: Veda, 1999, 239 s. ISBN 80-224-0545-0.

14. Ruisel, I., Halama, P. 2007. *NEO päťfaktorový osobnostný inventár*. Praha. Testcentrum – Hogrefe 2007.
15. Silvera, D. H., Martinussen, M., Dahl, T. I. 2001. *The Tromso Social Intelligence Scale, a self-report measure of social intelligence*. Scandinavian Journal of Psychology, 2001, 42, 313-319.
16. Smékal, V. 2002. *Pozvání do psychologie osobnosti*. Brno: Barrister & Principal, 2002, 517 s. ISBN 978-80-87029-62-6.
17. Zahatňanská, M., Račková, M. 2004. Fenomén zmysluplnosti života z pohľadu vysokoškolských študentov. In *Zborník príspevkov z I. konferencie SAVEZ*. Košice: SAVEZ, 2004. s. 117 ISBN 80-969224-1-6

Contacts

PhDr. Anna Janovská
Department of Managerial Psychology
Faculty of Management
University of Prešov in Prešov
Konštantínova 16, 080 01 Prešov, Slovakia
E-mail: janovska@unipo.sk

PaedDr. Zuzana Birknerová, PhD.
Department of Managerial Psychology
Faculty of Management
University of Prešov in Prešov
Konštantínova 16, 080 01 Prešov, Slovakia
E-mail: zbirknerova@unipo.sk

*** VEGA grant 1/0831/10**

Efficiency of Public Expenditure on Education in European Union Countries

Grażyna Kozuń – Cieślak

The College of Economy, Tourism and Social Sciences Kielce, Poland

Abstract

The article focuses on the issue of public sector entities efficiency evaluation. The aim of this study is assessing efficiency of education expenditure across 27 countries of EU and it presents:

- *short description of the concept of educational performance measurement,*
- *main advantages and limitations of Data Envelopment Analysis (efficiency evaluation technique),*
- *EU-27 efficiency evaluation ranking - conclusions and recommendations.*

Key words

public expenditure, efficiency, DEA, education

1. Introduction

A human capital is considered as the most important deciding factor on the development of the country, and investment in this capital increases the wealth of the country, accelerates the civilization's progress and enlarges the competitiveness of the country in the international exchange, because a knowledge, qualifications as well as the quality of human resources, determinates the competition of the economy.¹ The human capital is considered as the supply of the knowledge, skills, health and vital energy contained in the given society (Janoś-Kresło, 2002, 7-22). An influence of the human capital on the economic growth can be considered on the basis of neoclassical as well as endogenous growth theories. According to neoclassical models, the increase of the human capital causes the growth of the output level (e.g. Lucas treats the human capital as the following factor taken into account in the function of production, while changes of the economic growth's rate are treated as the result of changes in the level of the accumulation of the human capital), however endogenous models suggest that the accumulation of the human capital can cause an acceleration of the economic growth (the approach of

¹ *Kapitał ludzki. Stan i perspektywy*, Raport nr 27 RSSG przy RM, Warszawa 1998, s. 14.

Nelson-Phelps indicates that the human capital can influence directly on the economic growth by encouraging to innovation, or indirectly by facility of the assimilation of new technologies) (Próchniak, 2009, 34-35). In the context of this study the health condition assessment has been omitted. This research has been limited to the evaluation of the level of the human capital, only in the field of the state of the knowledge and skills, generally called „education”, what is to reflect a potential of the investigated society’s knowledge. L. Zienkowski defines education as an organized process of the assimilation of the scientific knowledge, its use and spreading (Zienkowski, 2003, 16).

The effects of an operation of the education’s system have this characteristic feature, that they are visible in long time horizon and get out of activities at different levels of education.² That is why, it is difficult to measure and evaluate the level of knowledge of the given society.³ In connection with the fact, that results of incurred expenses on education are visible only after a period of a few years, for that reason, in this article, as the input data has been used the level of public expenses expressed as percentage of GDP (calculated as the arithmetic mean for the period of 1997 – 2008). Difficulties with the settlement of adequate measures (diagnostic characteristics) permitting to evaluate analyzed phenomenon are not a reason to relinquish that research and, on the contrary, they make the challenge for the explorers who seek solutions of the theoretical and suitable quantitative methods which would permit to evaluate efficiency with the regard of the public sector specificity. In this study an attempt of efficiency’ estimation of the public expenses on education in European Union countries has been undertaken.

2. The methodology of research

To evaluate efficiency of public expenditure on education in 27 European Union countries the method of Data Envelopment Analysis (DEA) was used. Thanks to many advantages and relatively small limitations, it is widely applied in the world in order to study efficiency of the performance of private as well as public sector entities.⁴ To fundamental advantages of DEA as the

² About high school enrolment in Poland see (Stokłosa, Kotliński, 2007, 137-146).

³ More widely on the subject dilemmas of the estimation of actions' effects of subjects of the public sector see (Kozuń – Cieslak, 2008, 222 – 225).

⁴ The huge interest in possibilities which gives the method resulted in numerous publications which list, from years 1978 - 2007 can be find in the article „*Evaluation of research in efficiency and productivity. A survey and analysis of the first 30 years of scholarly literature in DEA*” (Emrouznejad, Parker, Tavares, 2008). There were placed 4015 elaborations, written by 2500 authors, from 50 countries.

tool of efficiency estimation of the public sector subjects should be reckoned (Kozuń – Cieślak, 2008, 227-299):

- it permits to create the models with many inputs and outputs (results), which are suitable perfectly for studying technical efficiency,
- it permits to use of the data with heterogeneous names (inputs and outputs can be expressed in different units of measure),
- it does not demand assumptions about the functional dependence between inputs and outputs,
- it does not demand the assignment of ranks (weight) to inputs and outputs,
- it makes possible to detect extreme values, which, in other methods, are invisible, on account of the fact of averaging of the data (instead of fitting regression curves to average values, DEA constructs the polyhedron based on extreme data),
- it distinguishes the “*best practice*” group, that is the group of entities with efficiency equal 100%,
- it permits to establish recommendations (based on leaders’ solutions) for inefficient unites to improve their performance.

By all means, it should be remembered, that DEA as every other quantitative method, has also its own limitations:

- it provides results in a form of relative efficiency of the given unite with relation to the studied group and there is no way to transform the relative DEA efficiency into the absolute measure of efficiency,
- it does not take into account the measurement error,
- it is very sensitive to the wrong data,
- even small changes concerning the selection of unites of the analyzed group (e.g. the change of their quantity) can have the meaningful influence on the final result of the research,
- it demands the preservation of the appropriate relation between the number of analyzed entities and the number of variables (inputs + outputs) used in the research.

Supported by the theory of the economy, especially the theory of the economic growth and development, six potential diagnostic characteristics were chosen. Their aim is to express, as well as possible, the potential of the knowledge in studied economies (A. Zeliaś notices that the too large number of the set of characteristics threatens with the disturbance or even with blocking of the possibility of the effective classification of objects) (Młodak, 2006,27). Among proposed diagnostic measures there were taken into account

„hard” indicators (as e.g. the gross secondary enrollment rate) as well as „soft” measures (as e.g. the index of the quality of math and science education) which would in the greatest degree meet the idea of the measurement of outcomes of the public sector activity and their subjective evaluation⁵, and not only quantities of goods and services provided by public sector. The following diagnostics characteristics has been applied in this study:

- 1) gross secondary enrollment rate (GSE),
- 2) quality of math and science education (QMS),
- 3) quality of the educational system (QES),
- 4) quality of scientific research institutions (QSI),
- 5) availability of scientists and engineers (ASE),
- 6) patent applications to the European Patent Office (EPO).

Table 1 Diagnostic variables to the model of the efficiency evaluation

Country	Diagnostic variables to the model (DEA)						
	output						input
	GSE	QMS	QES	QSI	ASE	EPO	E_EXP
Austria	99,00	4,95	5,15	5,13	4,89	170,75	5,79
Belgium	131,88	6,20	5,80	5,70	5,11	131,39	5,87
Bulgaria	100,13	4,40	3,43	3,55	3,79	2,59	4,08
Cyprus	96,25	5,25	5,08	3,78	5,01	16,77	6,71
Czech Rep.	94,38	5,55	4,85	4,80	5,17	10,13	4,58
Denmark	124,88	5,18	5,70	5,53	5,21	191,04	7,89
Estonia	92,50	5,23	4,58	4,80	4,11	7,64	6,62
Finland	118,50	6,30	6,15	5,68	5,97	253,99	6,14
France	109,88	5,68	5,00	5,23	5,41	127,55	6,28
Germany	100,50	4,68	4,85	5,80	4,78	276,86	4,15
Greece	97,29	4,50	3,38	3,68	5,15	8,13	2,93
Hungary	97,63	5,08	3,78	4,90	4,52	13,04	5,73
Ireland	109,75	5,13	5,65	5,33	5,27	61,43	4,37
Italy	97,88	4,10	3,53	3,45	4,54	78,01	4,71
Latwia	97,50	4,45	4,08	3,70	3,41	5,72	5,56

⁵ An extremely important source of information of monitoring effects of undertaken actions are results of undertaken cyclically researches of the public opinion activities, permitting to monitor the subjective perception by people of effects of realized undertakings (Obreḡbalski, 2002, 18).

Lithuania	100,50	5,03	3,90	4,18	4,15	2,49	5,71
Luxemburg	96,00	4,60	4,35	4,08	3,95	203,21	4,63
Malta	95,71	4,80	4,78	3,60	4,01	20,38	5,67
Holland	120,25	5,28	5,33	5,63	4,97	215,79	5
Poland	100,88	4,63	4,08	3,95	4,21	2,64	5,95
Portugal	102,38	3,38	3,73	4,50	4,51	7,88	6,91
Romania	84,75	5,23	3,78	3,63	4,30	0,98	3,85
Slovakia	91,00	4,88	3,75	3,63	4,62	4,62	3,72
Slovenia	100,25	4,90	4,38	4,60	4,03	45,12	6,28
Spain	114,88	3,65	3,60	4,10	4,60	27,09	4,38
Sweden	124,00	4,78	5,20	5,65	5,64	250,23	7,13
G. Britain	101,63	4,53	4,63	5,90	4,75	91,25	5,44
Coefficient of variation ω	0,112	0,132	0,177	0,184	0,130	1,139	
the matrix of correlation coefficients of potential diagnostic variables							
	GSE	QMS	QES	QSI	ASE	EPO	E EXP
GSE	1,00	0,300	0,628	0,653	0,582	0,594	0,415
QMS	0,30	1,000	0,706	0,450	0,484	0,312	
QES	0,62	0,706	1,000	0,752	0,637	0,659	0,473
QSI	0,65	0,450	0,752	1,000	0,630	0,706	
ASE	0,58	0,484	0,637	0,630	1,000	0,542	0,167
EPO	0,59	0,312	0,659	0,706	0,542	1,000	0,221

Source: Own study on the basis of the data from the tables A1 – A6.

Detailed statistics for mentioned above variables are placed in the annex (tables A1-A6).

Many methods exist for the statistical selection of diagnostic variables among the set of postulated variables. In the context of this study the procedure of the taxonomic method has been used. It consists in separating of the group of variables on the basis of interrelations appearing between them. The verifying procedure of diagnostic variables covers usually two criteria: the variation coefficient and the correlation coefficient. An advantage of taxonomic methods is the choice of variables in „the original aspect”, what facilitates their economic interpretation. The grouping of variables takes place on the basis of the matrix of correlation coefficients between potential diagnostic characteristics. The analysis of the coefficient of variation is aimed at eliminating the characteristics which show the small differentiation for the studied group of objects. The characteristics for which

the absolute value of the coefficient of variation is smaller than $\omega = 0,1$ is usually eliminated (Młodak, 2006, 29). The second criterion concerns the attentiveness to exclusion to the overrepresentation of any information resources. From the statistical point of view variables which are the carriers of the similar information are considered as strongly correlated. Then, for the group of variable with the high correlation coefficient only one is chosen performing the role of variable – representative (Pawełek, 2008, 42).

In the context of this study, the threshold value of the coefficient of correlation has been established on the level $r = 0,7$.⁶ The table 1 presents the potential diagnostic variables and data concerning their variation and correlation coefficients. On the basis of this verification two measures has been rejected: the index of the quality of math and science education (QMS) and the index of the quality of scientific research institutions (QSI) which were strongly correlated with the index of the quality of the educational system (QES). Finally, in this study of efficiency of the public expenditure on education, the following diagnostic characteristics has been applied: GSE, QES, ASE, EPO. All these variables are stimulants what means that higher values decide about the better level of the considered phenomenon.

3. Efficiency of the expenditure on education in EU countries – findings

The study of efficiency, is an analysis of the relation between outputs (results) and inputs, but not searching the most desirable or the best target solution. It is crucial to remember about this, making the interpretation of obtained results, that they do not appoint the countries with the best educational systems or the best educated society, but the countries, which obtained the best results with the determined level of input (expressed with measures applied in the study).

⁶ The elimination of variables was made in compliance with the procedure recommended in (Młodak, 2006, 30).

Table 2 Results of the calculation of the DEA model (CCR-I)

	The results of the calculation of the model CCR (input oriented)				
Country	Coefficient of efficiency (ranking)	Recommended solutions			Reduction of input %
		DE	GR	IR	
Austria	0,72 (13)	0,51		0,47	- 28
Belgium	0,82 (8)	0,37	0,53	0,39	- 18
Bulgaria	0,74 (12)		1,03		-26
Cyprus	0,59 (21)		0,14	0,82	- 41
Czech Rep.	0,84 (5)		0,32	0,66	- 16
Denmark	0,60 (19)	0,62	0,32	0,29	- 40
Estonia	0,54 (26)		0,11	0,74	- 46
Finland	0,83 (6)	0,84	0,01	0,37	- 17
France	0,66 (18)	0,37	0,33	0,37	- 44
Germany	1,00 (1)	1			
Greece	1,00 (1)		1		
Hungary	0,55 (25)		0,77	0,21	- 45
Ireland	1,00 (1)			1	
Italy	0,69 (15)	0,26	0,74		- 31
Latvia	0,60 (20)		0,58	0,38	- 40
Lithuania	0,57 (22)		0,78	0,22	- 43
Luxemburg	0,80 (10)	0,72	0,22	0,02	- 20
Malta	0,66 (17)		0,09	0,79	- 34
Holland	0,91 (4)	0,75	0,38	0,07	- 9
Poland	0,57 (23)		0,68	0,31	- 43
Portugal	0,46 (27)		0,95	0,09	- 54
Romania	0,79 (11)		0,39	0,44	- 21
Slovakia	0,83 (7)		0,57	0,32	- 17
Slovenia	0,57 (24)	0,05	0,47	0,45	- 43
Spain	0,81 (9)	0,07	1,11		- 19
Sweden	0,66 (16)	0,89	0,35		- 34
G. Britain	0,69 (14)	0,22	0,33	0,43	- 31

Source: Own study calculations performed with the use *DEA solver*, Springer Science+the Business Media, LLC, ©2008

On the basis of calculations with the use of the *DEA Solver*,⁷ the estimation of efficiency of public expenses on education in 27 European Union countries was obtained, (table 2). Among the countries was appointed the group of three countries, evaluated as 100% efficient, these are: Germany, Greece, Ireland. The very high result obtained also Holland for which, the indicator of efficiency was established on the level of 91%. The average indicator of efficiency in the investigated group of countries is 72% and results above this average were obtained (except four-mentioned above) by 9 economies: Czech Republic (84%), Finland (83%), Slovakia (83%), Belgium (82%), Spain (81%), Luxemburg (80%), Romania (79%), Bulgaria (74%), Austria (72%). The remaining countries obtained results in the range from 46% (Portugal) to 69% (Great Britain). Poland was placed on the 23rd position, showing an efficiency on the level of only 57%. Omitting Portugal which was placed at the end of the ranking, Poland together with other six new EU member countries, creates the block of the most ineffective economies in regards to results of the use of public expenses on education.

Three countries appointed as 100% efficient make the group of leaders, which solutions in the range of the organization and the financing of education can exemplify for other countries. Solutions applied in Germany (DE) are recommended in 12 countries, Greek (GR) solutions are recommended in 23 countries and Irish (IR) in 20 countries. The use of recommended solutions would permit to keep the previous level of obtained results at often considerably lower inputs. For example in Portugal, Slovenia, Poland, Lithuania, Latvia, France, Estonia, Denmark, Hungary and on Cyprus the reduction of public expenses on education would be able to reach from 40% to 54% (the table 1). In case of Poland referential countries are Greece and Ireland, whereat Greek solutions are for Poland more significant (68%) than Irish (31%). The introduction of changes modeled on recommended economies would be connected with approx. 43% of public expenses' decreasing on education at the preservation of the previous level of results.

Bibliography

1. Emrouznejad A., B.R. Parker, G. Tavares, „*Evaluation of research in efficiency and productivity: A survey and analysis of the first 30 years of scholarly literature in DEA*” *Journal of Socio-Economic Planning Science*, 42(3), 2008.

⁷ *DEA-Solver*, Springer Science+Business Media, LLc, ©2008.

2. Grabiński T., S. Wydymus, A. Zeliaś, *Metody doboru zmiennych w metodach ekonometrycznych*, PWN, Warszawa 1982; E. Nowak, *Problemy doboru zmiennych do modelu ekonometrycznego*, PWN, Warszawa 1984.
3. Janoś – Kresło M., *Usługi społeczne w procesie przemian systemowych w Polsce*, „Monografie i Opracowania” nr 512, Szkoła Główna Handlowa, Warszawa 2002,
4. *Kapitał ludzki. Stan i perspektywy*, Raport nr 27 RSSG przy RM, Warszawa 1998,
5. Kozuń – Cieślak G., *Ocena efektywności sektora publicznego – wybrane zagadnienia*, Zeszyty Naukowe nr 489 (Ekonomiczne Problemy Usług nr 4), Uniwersytet Szczeciński, Szczecin 2008,
6. Młodak A., *Analiza taksonomiczna w statystyce regionalnej*, Wydawnictwo Difin, Warszawa 2006, s. 27, za: A. Zeliaś, *some notes on the Selection of Normalization of Diagnostic Variables*, „Statistic in Transition”, vol.5, nr 5,
7. Obreńbalski M., *Rozwój regionalny – identyfikacja, pomiar i ocena*, w: „Gospodarka lokalna w teorii i praktyce” (red. E. Sobczak), Prace Naukowe Akademii Ekonomicznej we Wrocławiu nr 939, Wrocław 2002,
8. Pawełek B., *Metody normalizacji zmiennych w badaniach porównawczych złożonych zjawisk ekonomicznych*, Wydawnictwo Uniwersytetu Ekonomicznego w Krakowie, Kraków 2008,
9. Próchniak M., *Czynniki wzrostu gospodarczego – przegląd wyników badań empirycznych*, w: „Wzrost gospodarczy w krajach transformacji. Konwergencja czy dywergencja?”, R. Rapacki (red.), PWE, Warszawa 2009,
10. Stokłosa K., Kotliński W., *Dynamika wzrostu liczby studentów w uczelniach publicznych w latach 1990.91 – 2003/04*, „Ekonomia i Nauki Humanistyczne”, Zeszyty Naukowe Politechniki Rzeszowskiej nr 235, Rzeszów 2007,
11. Zienkowski L., *Gospodarka oparta na wiedzy – mit czy rzeczywistość*, w: „Wiedza a wzrost gospodarczy”, L. Zienkowski (red.), Wydawnictwo Naukowe SCHOLAR, Warszawa 2003,

Contact

Grażyna Kozuń – Cieślak

The College of Economy, Tourism and Social Sciences Kielce

Poland

E-mail: grazyna.cieslak@interia.pl

ANNEX:

Table A 1 Statistic data (original)

Country	Gross secondary enrollment rate (%) (GSE)								
	2000	2001	2002	2003	2004	2005	2006	2007	GSE (AV)
Austria	98	98	98	99	99	100	100	100	99,0
Belgium	146	155	157	160	109	109	109	110	131,9
Bulgaria	92	94	96	101	104	104	105	105	100,1
Cyprus	92	93	97	98	98	97	97	98	96,3
Czech Rep.	88	95	96	96	95	95	95	95	94,4
Denmark	127	131	127	127	124	124	120	119	124,9
Estonia	92	93	96	96	98	100	100	100	92,5
Finland	124	126	126	128	110	111	112	111	118,5
France	109	108	107	108	108	113	113	113	109,9
Germany	99	99	100	100	101	101	103	101	100,5
Greece	89	93	..	96	96	102	103	102	97,3
Hungary	95	98	100	103	96	96	96	97	97,6
Ireland	108	107	108	109	111	111	111	113	109,8
Italy	93	96	98	99	99	99	99	100	97,9
Latvia	90	92	94	94	97	99	99	115	97,5
Lithuania	98	100	102	104	101	100	100	99	100,5
Luxemburg	98	98	97	96	95	94	95	95	96,0
Malta	89	90	92	95	107	99	..	98	95,7
Holland	123	123	121	121	118	118	118	120	120,3
Poland	100	102	103	105	97	100	100	100	100,9
Portugal	107	107	108	107	95	97	97	101	102,4
Rumunia	81	83	85	85	85	86	86	87	84,8
Slovakia	86	86	88	91	94	95	95	93	91,0
Slovenia	100	106	107	108	96	96	95	94	100,3
Spain	111	113	113	113	114	118	118	119	114,9
Sweden	152	148	144	137	102	103	103	103	124,0
G. Britain	102	101	103	102	105	105	98	97	101,6

Source: [GSE] - *World Development Index*, (AV) – the average value.

Table A 2 Statistic data (original)

Country	Patent applications to the European Patent Office Number of applications per million inhabitants (EPO)								
	2000	2001	2002	2003	2004	2005	2006	2007	EPO (AV)
Austria	147	149,6	157,4	164	175	179	191,8	201	170,8
Belgium	127	116,7	124,9	127	141	135	138	141	131,4
Bulgaria	0,91	1,96	1,85	2,73	2,41	3,2	3,66	3,97	2,6
Cyprus	8,98	22,62	9,33	8,21	8,22	21,4	25,04	30,4	16,8
Czech Rep.	6,48	6,99	8,7	11,3	11	10,3	12,92	13,4	10,1
Denmark	176	168,7	173,5	192	191	201	210,2	216	191,0
Estonia	4,07	7,07	4,19	7,91	6,42	4,73	12,58	14,1	7,6
Finland	274	265,4	241,9	241	264	247	248,4	251	254,0
France	120	118,9	119,1	126	133	131	134,4	137	127,5
Germany	269	265,2	261,3	264	277	284	292,2	302	276,9
Greece	5,12	6,47	6,74	7,87	6,06	9,9	10,94	11,9	8,1
Hungary	11,8	9,69	11,81	12,6	15,4	13,3	14,52	15,2	13,0
Ireland	54,1	63,36	57,21	55,4	64,7	63,6	65,17	67,8	61,4
Italy	70,3	69,57	73,28	75,3	79,3	82,2	85,38	88,8	78,0
Latvia	3,33	2,04	2,66	3,69	4,23	8,02	9,84	11,9	5,7
Lithuania	1,34	0,9	0,77	4,1	4	2,61	3,24	2,95	2,5
Luxemburg	188	166,2	136,7	196	248	211	233,9	246	203,2
Malta	11,8	13,92	10,14	14	11,3	27,9	33,75	40,1	20,4
Holland	217	242	213,5	212	221	208	207	206	215,8
Poland	1,12	1,52	2,12	3	3,1	3,14	3,48	3,65	2,6
Portugal	4,12	4,02	3,99	6,07	5,39	10,9	13,12	15,5	7,9
Rumunia	0,27	0,46	0,54	0,75	1,05	1,32	1,59	1,87	1,0
Slovakia	2,08	2,26	4,51	5,67	3,83	5,7	6,33	6,55	4,6
Slovenia	25,5	25,12	38,68	38,2	57,5	53,4	58,1	64,6	45,1
Spain	19,9	21,34	22,84	22,5	28,5	31	33,55	37	27,1
Sweden	258	235,6	224,5	220	246	260	271,3	287	250,2
G. Britain	102	94,46	92,57	91,2	90,5	88	86,44	84,8	91,3

Source: [EPO] – EUROSTAT on-line data. . (AV) – the average value.

Table A 3 Statistic data (original)

Country	Quality of the educational system (QES) The educational system in your country (1=does not meet the needs of a competitive economy, 7=meets the needs of a competitive economy)				
	2006-2007	2007-2008	2008-2009	2009-2010	QES (AV)
Austria	5,3	5,2	5,2	4,9	5,2
Belgium	5,9	5,7	6,0	5,6	5,8
Bulgaria	3,7	3,4	3,3	3,3	3,4
Cyprus	4,5	4,9	5,4	5,5	5,1
Czech Rep.	5,4	4,4	4,7	4,9	4,9
Denmark	5,5	5,8	5,8	5,7	5,7
Estonia	5,1	4,3	4,5	4,4	4,6
Finland	6,5	6,0	6,2	5,9	6,2
France	5,3	4,8	5,0	4,9	5,0
Germany	4,9	4,9	4,9	4,7	4,9
Greece	3,7	3,3	3,3	3,2	3,4
Hungary	4,9	3,6	3,2	3,4	3,8
Ireland	5,8	5,6	5,6	5,6	5,7
Italy	4,2	3,4	3,2	3,3	3,5
Latvia	4,7	4,1	3,7	3,8	4,1
Lithuania	4,3	4,1	3,7	3,5	3,9
Luxemburg	4,8	4,2	4,1	4,3	4,4
Malta	4,5	4,8	4,9	4,9	4,8
Holland	5,6	5,2	5,3	5,2	5,3
Poland	4,4	4,0	3,8	4,1	4,1
Portugal	4,3	3,5	3,5	3,6	3,7
Rumunia	4,4	3,7	3,6	3,4	3,8
Slovakia	4,7	3,7	3,4	3,2	3,8
Slovenia	4,5	4,1	4,4	4,5	4,4
Spain	3,4	3,8	3,8	3,4	3,6
Sweden	5,0	5,2	5,3	5,3	5,2
G. Britain	4,7	4,6	4,6	4,6	4,6

Source: [QES,] - *Global Competitiveness Report*, World Economic Forum. (AV) – the average value.

Table A 4 Statistic data (original)

Country	Quality of scientific research institutions (QSI) Scientific research institutions in your country (e.g., university laboratories, government laboratories): 1= nonexistent, 7 = the best in their fields internationally					Availability of scientists and engineers (ASE) To what extent are scientists and engineers available in your country? (1 = not at all; 7 = widely available)		
	2006-2007	2007-2008	2008-2009	2009-2010	QSI (AV)	2008-2009	2009-2010	ASE (AV)
Austria	4,9	5,2	5,3	5,1	5,1	5,04	4,7	4,9
Belgium	5,6	5,7	5,8	5,7	5,7	5,12	5,1	5,1
Bulgaria	3,7	3,2	3,7	3,6	3,6	3,72	3,9	3,8
Cyprus	3,5	3,6	3,9	4,1	3,8	5	5,0	5,0
Czech Rep.	4,6	4,6	4,9	5,1	4,8	5,44	4,9	5,2
Denmark	5,3	5,5	5,6	5,7	5,5	5,31	5,1	5,2
Estonia	4,7	4,8	4,9	4,8	4,8	4,06	4,2	4,1
Finland	5,7	5,7	5,7	5,6	5,7	5,93	6,0	6,0
France	5,1	5,2	5,4	5,2	5,2	5,55	5,3	5,4
Germany	5,8	5,8	5,8	5,8	5,8	4,92	4,6	4,8
Greece	3,7	3,6	3,8	3,6	3,7	5,22	5,1	5,2
Hungary	4,7	4,9	5	5,0	4,9	4,51	4,5	4,5
Ireland	5,3	5,4	5,3	5,3	5,3	5,28	5,3	5,3
Italy	3,4	3,4	3,4	3,6	3,5	4,55	4,5	4,5
Latvia	3,8	3,7	3,6	3,7	3,7	3,34	3,5	3,4
Lithuania	4,1	4,2	4,3	4,1	4,2	4,22	4,1	4,1
Luxemburg	3,9	4,0	4,1	4,3	4,1	3,94	4,0	4,0
Malta	3,3	3,6	3,8	3,7	3,6	4,09	3,9	4,0
Holland	5,5	5,6	5,7	5,7	5,6	4,94	5,0	5,0
Poland	3,8	3,8	4,1	4,1	4,0	4,13	4,3	4,2
Portugal	4,3	4,5	4,6	4,6	4,5	4,53	4,5	4,5
Rumunia	3,7	3,7	3,6	3,5	3,6	4,3	4,3	4,3
Slovakia	3,6	3,7	3,7	3,5	3,6	4,87	4,4	4,6
Slovenia	4,2	4,5	4,8	4,9	4,6	3,91	4,1	4,0
Spain	4,0	4,1	4,1	4,2	4,1	4,63	4,6	4,6
Sweden	5,6	5,6	5,7	5,7	5,7	5,62	5,7	5,6
G. Britain	6,0	5,9	5,8	5,9	5,9	4,78	4,7	4,7

Source: [QSI] - *Global Competitiveness Report*, World Economic Forum; [ASE] - *The Global Information Technology Report*, World Economic Forum; (AV) – the average value.

Table A 5 Statistic data (original)

Country	Quality of math and science education (QMS) Math and science education in your country's schools (1=lag far behind most other , 7= are among the best in the world)				
	2006-2007	2007-2008	2008-2009	2009-2010	QMS (AV)
Austria	5,0	5,1	5,0	4,7	5,0
Belgium	6,1	6,3	6,3	6,1	6,2
Bulgaria	4,4	4,5	4,4	4,3	4,4
Cyprus	4,9	5,2	5,5	5,4	5,3
Czech Rep.	5,7	5,5	5,6	5,4	5,6
Denmark	5,2	5,2	5,1	5,2	5,2
Estonia	5,3	5,1	5,3	5,2	5,2
Finland	6,1	6,2	6,5	6,4	6,3
France	5,8	5,7	5,7	5,5	5,7
Germany	4,8	4,8	4,6	4,5	4,7
Greece	4,5	4,5	4,5	4,5	4,5
Hungary	5,5	5,1	4,8	4,9	5,1
Ireland	5,3	5,2	5,1	4,9	5,1
Italy	4,4	4,3	4,0	3,7	4,1
Latvia	4,7	4,6	4,3	4,2	4,5
Lithuania	5,0	5,2	5,1	4,8	5,0
Luxemburg	4,8	4,7	4,4	4,5	4,6
Malta	4,5	4,8	5,0	4,9	4,8
Holland	5,4	5,3	5,2	5,2	5,3
Poland	4,4	4,5	4,7	4,9	4,6
Portugal	3,5	3,4	3,4	3,2	3,4
Rumunia	5,5	5,4	5,1	4,9	5,2
Slovakia	5,2	5,0	4,8	4,5	4,9
Slovenia	4,6	4,8	5,0	5,2	4,9
Spain	3,5	3,9	3,9	3,3	3,7
Sweden	4,7	4,8	4,8	4,8	4,8
G. Britain	4,7	4,5	4,5	4,4	4,5

Source: [QMS] - *Global Competitiveness Report*, World Economic Forum; (AV) – the average value.

Table A 6 Statistic data (original)

Country	Public expenditure on education (E EXP) % GDP												
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	EXP (AV)
Austria	6,2	6,1	6,1	5,9	5,9	5,9	6,0	5,8	5,8	5,3	5,2	5,3	5,79
Belgium	6,0	6,0	5,9	5,7	5,8	5,9	6,0	5,8	5,9	5,8	5,8	:	5,87
Bulgaria	:	:	:	4,4	3,8	3,9	4,4	4,2	4,1	3,9	3,9	:	4,08
Cyprus	:	6,0	6,0	6,0	6,1	6,5	7,6	7,1	7,2	7,2	7,4	:	6,71
Czech R.	4,3	4,0	4,0	4,1	4,4	5,2	5,2	4,8	4,8	4,9	4,7	:	4,58
Denmark	7,3	7,6	8,1	8,0	8,1	8,2	8,2	8,2	8,0	7,7	7,4	:	7,89
Estonia	7,0	7,2	7,5	6,7	6,6	6,8	6,5	6,3	6,0	6,1	6,0	6,7	6,62
Finland	6,5	6,2	6,1	5,9	6,0	6,1	6,4	6,3	6,2	6,0	5,8	:	6,14
France	6,5	6,4	6,6	6,3	6,3	6,4	6,4	6,2	6,1	6,0	5,9	:	6,28
Germany	4,4	4,3	4,3	4,0	4,2	4,2	4,1	4,1	4,1	4,0	3,9	:	4,15
Greece	2,8	2,8	2,8	2,9	2,7	2,9	3,2	3,1	3,0	3,0	3,0	:	2,93
Hungary	:	:	:	:	5,3	5,8	6,2	5,8	5,9	5,8	5,3	:	5,73
Ireland	4,7	4,3	4,1	4,2	4,3	4,3	4,4	4,4	4,4	4,4	4,6	:	4,37
Italy	4,8	4,8	4,7	4,6	4,7	4,7	4,9	4,6	4,7	4,6	4,7	:	4,71
Latvia	5,4	5,7	5,7	5,5	5,4	5,3	5,2	5,6	5,6	6,0	5,8	:	5,56
Lithuania	:	:	:	6,0	6,0	6,1	5,7	5,8	5,5	5,4	5,2	:	5,71
Luxemb.	4,7	4,9	4,6	4,3	4,6	4,8	4,9	4,9	4,7	4,3	4,3	4,6	4,63
Malta	5,9	5,4	5,5	5,2	5,8	6,0	6,2	5,8	5,7	5,6	5,4	5,5	5,67
Holland	4,9	4,8	4,8	4,7	4,8	5,0	5,2	5,2	5,1	5,1	5,2	5,2	5,00
Poland	:	:	:	:	:	6,1	6,1	5,7	6,1	6,0	5,7	:	5,95
Portugal	6,3	6,3	7,2	6,7	6,9	7,3	7,4	7,4	7,6	7,1	5,8	:	6,91
Rumunia	:	:	:	:	:	4,0	3,5	3,7	3,6	4,1	4,2	:	3,85
Slovakia	3,8	3,6	3,3	3,2	3,3	3,6	4,3	3,9	4,0	3,9	4,0	:	3,72
Slovenia	:	:	:	6,3	6,4	6,3	6,4	6,3	6,4	6,3	5,8	:	6,28
Spain	4,5	4,4	4,4	4,4	4,3	4,4	4,4	4,4	4,3	4,3	4,4	:	4,38
Sweden	7,1	7,4	7,5	6,8	7,2	7,3	7,3	7,1	7,1	7,0	6,8	6,9	7,13
G. Brit.	4,6	4,5	4,7	5,0	5,3	5,6	5,8	5,9	6,1	6,1	6,2	:	5,44

Source: EUROSTAT on-line data. (AV) – the average value.

Manager in Central State Administration

Jaroslav Kuchár – Ľudmila Ščerbáková
Ministry of Interior of the Slovak republic

Abstract

Our subscription is targeting on the managers in central state administration. The role of managers in civil service is covered by the Act No. 400/2009 Coll., on Civil Service and Amending and Supplementing Several Acts. The basic organization of the central state administration is enshrined in the Act No. 575/2001 Coll., on organisation of the activities of the Government and organisation of the central state administration, as amended. The levels of management/direction – director general of a section, director of division and head of unit are based on this structure too. The aim of this paper is mainly to show the position of manager of the central state administration as well as the specific function - Head of Staff Office, for possibilities of training for managers, and not at least for their other professional application/career (eg in the management of the European institutions).

Key words

Manager, central state administration, civil service, Head of Staff Office, Slovak managers in the institution of EU

Manager

Manager allocates human and material resources in organisation and regulates activities which are performing in organisation. Manager is planning, ordering, leading, controlling and coordinating activities on behalf of achieving goals of organisation. Object of managers job are especially resources /inputs/ of organisation like human, physical, information sources, which come to organisation from outside. Task of manager's job is to use and combine all the resources and property of company, which is available to achieve required task. With this intention, manager is cooperating activities of his staff.

Levels of managers in central state administration

Levels of management in state administration is enshrined in the Act No. 575/2001 Coll., on organisation of the activities of the Government and organisation of the central state administration, as amended, in paragraph 5.

Ministry is divided into sections and divisions. Head of section is director general. Sections can be divided into bureau, division or other organisation. The head of bureau, division or other organisation is director.

This means, that the top manager in state administration is director general, which has in direct subordination a few directors. Director can direct manage his staff or can have a few heads of unit. Dividing division into units is voluntary and depends on amount of staff. This are levels of manager in state administration:

section – director general = top manager
bureau/division – director = middle level manager
unit – head = first level manager

Labour relations in state administration especially in field of management, decision-making, control and inspection is covered by the Act No. 400/2009 Coll., on Civil Service and Amending and Supplementing Several Acts. According to paragraph 11 article 1 Act No. 400/2009 Coll. definition of manager is: „Manager on purpose of this act is superior employer in state service who is entitled according to this act or according to the particular act to:

- a) determine subsidiary employer in state service task to execute state service and give him directions,
- b) organise, manage, control and evaluating execution of state service of subsidiary employer in state service.

Head of staff Office

Special type of manager in state administration is Head of staff Office. In accordance of paragraph 12 article 1 and 2 Act. No. 400/2009 Coll. „Head of staff Office on purpose of this act is in service top manager in staff Office; Head of staff Office is entitled to act in labour relations of employers in state service and in others labour relations.“

According to paragraph 13 article 1 act. No. 400/2009 Coll. “Head of staff Office in staff Office, which is ministry, designate and revoke government on proposal of ministry.“

Position of Head of staff Office is specific from two aspects. First – Head of staff Office is entitled to act in labour relations of employers in state service and also in labour relations of employers straight from act No. 400/2009 Coll. Competence of Head of staff Office are : he sign contract of service with employer, he make decision about amount of money which is

employer oblige to pay to staff Office as reward of damage caused by employer, he make decision about changes of contract of service. Secondly is form of designation. Head of staff Office is design by government on proposal of ministry.

Lack of motivation in state administration

Position of manager in state administration is specific because of character of state administration. The biggest problem of manager in state administration is by us lack of possibility of motivation employers in state service. The most negative fact is salary system. Salary is covered by act or government direction in 11 salary brackets. For each year of experience salary tariff get higher for 1%, what mean in higher salary bracket only 9,355 euro per year. Another increase of salary tariff depends on government decision, which each year increase salary tariff. Moreover employer can get „financial bonus“ as a form of financial assessment of employees, but budget of each ministry don't allow to use this bonus more effectively, because of limited budget. The result of this situation is limitation of manager in possibility to motivated staff to better effort by increasing regular salary or by irregular bonuses.

In present is another negative factor repeated “areal”decreasing of number of employers in state administration (without carrying out an objective audit). In the year 2006 the Government of SR decided to decrease number of employers in state administration for 20%. Result of this task is really questionable because few years after decreasing number of employers was by contrast increased. In present another decision was made which bind each ministry to decrease number of employers 10% down. Among employers it invoke feelings of insecure and afraid of future stay in state administration. Decreasing of number of employers means for those who “survive” directly proporcional increasing of amount of tasks. We accept public opinion, that in some parts of state administration work more employers that is really necessary, but solution is not in equal decreasing in all parts. It is necessary to make technical analysis of experts on problematic and find parts with overemployment. Present situation is not helpful for evaluation of effectiveness and nor attach importance to specific character of state service.

These factors make high pressure on manager in state administration, which must find solution against all negative factors without any influence on it.

Education in state administration

Act No. 400/2009 Coll. Covered also education of employers in state service including managers in fourth part called “Education of employers”.

From the view of manager in Slovak republic is missing education of managers in state administration. Ministry of Interior of the Slovak republic has Institute of public administration and its purpose is:

- Courses to get eligibility in many fields with accreditation of Ministry of education of the Slovak republic for example: elements of control in state administration, administration order, interpretation of Administration order in application;
- Education to get professional qualification for new employers in state service;
- Specific courses f.e.: interpretation of actual law for employers in state administration;
- Consulting, methodical and information activity in field of education in public administration.

Act No. 400/2009 Coll. covering also education of employers in state service in 2 form – “deeping” qualification and “increasing” qualification.

“Deeping” qualification is making by 3 form:

- a) adaptating education,
- b) continuous education,
- c) specific education.

Adaptating educating is for new employers after entering into state service in “adaptating period” and involving informations and crafts which are necessary for their work. Adaptating education consist of two parts:

- a) general part is focused on constitution, law concerning labour relations, organization of public administration , organization of European Union, communication and ethics of employer in state administration.
- b) specific part is focused on information about tasks and position of that staff office and his internal law and also information about his division.

Continuous education is focused on:

- a) professional education,
- b) language education,
- c) obtaining and “deeping” crafts required for manager.

Specific education is focused on:

- a) education in fields, which government define as priority,
- b) education in field of information technology,
- c) education in field of personable development.

Moreover “deeping” qualification staff office can employer in state service on his require allow, after sign an agreement of “increasing” education, “increasing” education, if this increasing is needed by staff office.

As mentioned above, act No. 400/2009 Coll. Allows many forms of education but on the other side is question of possibility and quality of education for managers. It is necessary to provide development of state administration through high-qualified managers, which will be expert in their field and also will have manager skills in specific condition of central state administration.

One of small number of project focused on developing of manager skills and on education of potential managers was project called “Develop of leaders in public administrations” realized in 2008. Project was built due to new trends and calling in modern public administration in European Union as Specialized developing program focused on identification and develop of leaders for public sector in Slovak republic and European union and for international institution. Program was prepared by experts crew of delegates from Ministry of foreign affairs of the Slovak republic, Ministry of education of the Slovak republic, Ministry of work, social affairs and family of the Slovak republic and Governmental Council of the Slovak republic and experts on human resources from consulting company Ampor Hever Slovakia. Project including new points which was in public sector of the Slovak republic not enough developed, but are necessary for effectivity of the system like Strategic management, Personal management, International relationships, Management and coordination of European affairs, Management and manager in public sector, Communication in process of negotiation, Lobbying etc. Failure of this project was that it was unrepeatable project. For develop of the managers in state administration is necessary to make projects like this. It can not be only one project, but it must be systematic and long-term education of managers or preparing people for being manager in state administration.

The cardinal importance for education the managers in state administration by us is development of their IT and language skills. The reality is that the lack of these skills is also the possible reason for no very successful efforts to promote our managers in the European and international institutions. Neither

frequental critic in governmental informations on low number of Slovak managers in the EU institutions (mainly in positions middle and senior management) was not adopted any real steps for change this situation.

Summary

In our subscription we introduced levels of managers in state administration including specific function – head of staff office. We focused also to problems of managers in state administration, like lack of possibility to motivated staff and also small possibility for their education.

Bibliography

1. BARANCOVÁ, Helena, SCHRONK, Robert: Pracovné právo, vyd.: Spirit dva, Bratislava, 2009, 800 s., ISBN 978-80-89393-11-4.
2. TICHÝ, Miroslav: Pracovnoprávny slovník pre prax, vyd.: Poradca, Žilina, 2005, 120 s., ISBN 80-892313-14-6.
3. Act No. 400/2009 Coll., on Civil Service and Amending and Supplementing Several Acts;
4. Act No. 575/2001 Coll., on organisation of the activities of the Government and organisation of the central state administration, as amended.
5. <http://hnonline.sk/kariera/c1-23117970-rozvoj-lidrov-pre-verejny-sektor>
6. <http://www.24hod.sk/Rozvoj-lidrov-pre-verejny-sektor-cl47941.html>
7. jaspi.justice.gov.sk
8. www.ivs.sk

Contacts

JUDr. Jaroslav Kuchár
Ministry of Interior of the Slovak republic
Section of legislation and external relations
Slovakia
E-mail: kuchar.jaroslav@gmail.com

Mgr. Ľudmila Ščerbáková
Ministry of Interior of the Slovak republic
Section of legislation and external relations
Slovakia
E-mail: scerbakova.ludmila@gmail.com

Application of Knowledge Management in Corporate Culture

Miroslav Malák

University of Prešov in Prešov, Faculty of Management

Abstract

The paper deals with the theoretical aspects of application of knowledge management in corporate culture and analyzes its individual criteria. The learning process and development of the employers is a permanent process which, even without an outside influence, leads to the development of new goals and to a constant improvement of all the concern activity. There has appeared a new system of wealth formation, which starts to influence the development of the society and business environment in a more significant way. It is possible to characterize this development as a progress step from an industrial society to a knowledge society.

Key words

knowledge management, corporate culture, learning organization

Introduction

The basic aim of a company in a market environment is a long-term profit and its distribution with regard to the owners' interests. All the company functions are carried out with respect to this aim. The particular decisions of the leading company subjects are influenced not only by economical motives but also by some factors of psychological and sociological nature. The importance of these factors is significant and its impact can be seen in the economy and running of the company. Therefore a company should not be viewed as an 'inanimate machine or organism' but an organized group of people.

Learning is the improvement of knowledge and skills, so that the activities will be performed more effectively regardless of the way they will be carried out. The need for learning may be seen as the process of overcoming the difference between the known facts and the facts which are still to be learned.

1. DEFINITION OF KNOWLEDGE MANAGEMENT

Knowledge management is a phenomenon that frequently appears in the field of management. Some scholars find it just another popular term, whereas other authors claim that it is a clever application of the knowledge

management that is able to provide the rise of efficiency, quality, complex development and global competitiveness of Slovak companies and the country as such. The knowledge management of learning organizations or states has to consider the curve of the transformation of data, news and information to knowledge. The transformation of data to information implies the understanding of the relationships, whereas the transformation of information to knowledge brings the understanding of the relative rules of the game. The way the knowledge of the leaders and managers is dealt with has to be manifested in deep understanding and practical implementation of the most important leadership principles. That does not include only the principles of integration, globalization, or the Slovakia's joining the NATO and the EU. And again it is not restricted to the technical-technological principles or components (hardware, software, high-tech etc.) in the significant processes of the management of our republic. That would be a new kind of power concentration, or a pure technocracy which would be incompatible with the process management or with the philosophy of the knowledge management at the beginning of the 21st cent. Leaders and managers, alongside with scientists have to understand the difference between automated leadership and management. As far as management is concerned, it will be the knowledge of leaders, managers, designers, technologists, and other creative employers that will really matter. It is a so-called mesosphere which has shown the highest rate of brain drain- the loss of knowledge represented especially by young graduates, engineers and postgraduates. The ability to use the software, hardware or the Internet is not enough when creating the vision, mission or strategies in a company. What is more needed is the mastering of the principles of leadership and human resources management. The knowledge and creativity of people is more than the automatic components, procedures or the orders of the engineers in the ultramodern fully automated production process.

2. THE APPLICATION OF KNOWLEDGE MANAGEMENT IN CORPORATE CULTURE

The application of the knowledge management in corporate culture has to be the result of a long-term process that is characterized by a number of features:

- a shared vision accepted by all members
- the increase of the adaptation ability (or the ability to change)
- the development of the individuals in order to gain the information needed

- independent decision making and monitoring of the results of experiential learning
- the development of the learning ability of the individuals and the team
- the application of the learning process results and a better achievement
- systems thinking preference

The solution may be found in a complex consideration of the development if we include the following in the complex approach:

- *new economy* – as an advancing organization system of financial, industrial and business activities which brings new space for growth and competitive advantages on a global scale,
- *information technologies* – creating a new environment for efficient development,
- *corporate knowledge* – the sum total of knowledge and skills of the company employees, who are willing to use and share them for the company's benefit
- *management* – its task is to manage the knowledge and develop it continually.

Innovations and knowledge deepening cannot be ruled by the consideration and will of an individual. The process has to be managed with respect to the company's needs. It should be an appropriate combination of training courses and development of the employees which would make new information transform into new skills and competencies. The knowledge management should become a new management discipline.

In the complex approach, it is impossible to cut any of these features out of the connection and characterize it in isolation, regardless of their mutual dependence. They are mutually connected and therefore it is difficult to tell which is primary and which secondary, or which is essential and which is derived. It is displayed in fig. 1:

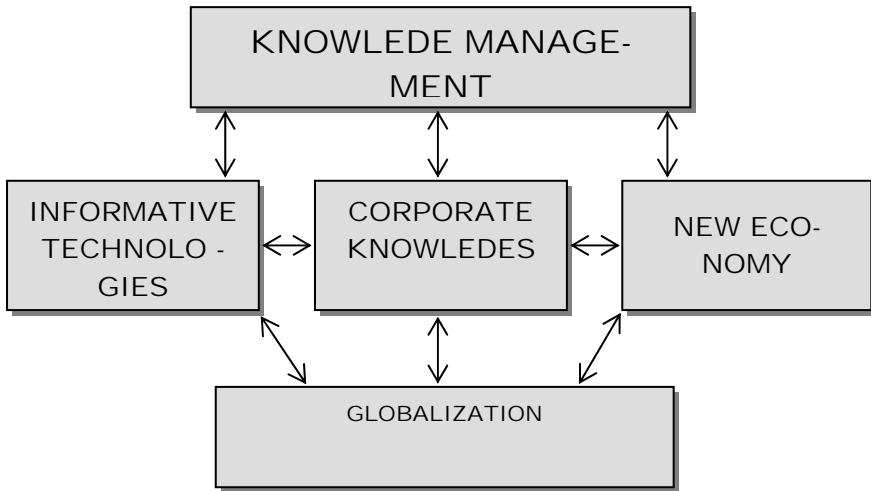


Fig. 1 Complex approach of a company to knowledge management

The ability of the individuals to use the acquired knowledge in everyday work enables them to react to new situations flexibly and quickly and to solve them with respect to the company's efficiency. It is necessary for the managers to learn from experience which is built on previous knowledge. The employed ways of learning have to recognize and support features such as openness, creativity, systems thinking, helpfulness etc. The learning organization needs to have open system, methods and procedures, which continually develop the abilities of an individual in order to achieve set goals.

The application of knowledge management in corporate culture may follow these steps:

- Appoint chief knowledge manager whose task is to create the knowledge management strategy, which is in accordance with the company's goals and strategy.
- Involve the company management in this project and try out a knowledge management project that has been successful in another organization.
- Incorporate the knowledge management into the key processes or integrate it with the company restructuring project.

- Create in the company an atmosphere of trust and permanent learning. Persuade the employees that knowledge sharing is profitable for them as well as for the company.
- Create such company rules that will enable a high-quality content of the whole project and its implementation.
- Support the creation and development of knowledge and the use of the information technologies to make the process faster.
- Determine the methods of knowledge management benefit measuring (knowledge audit).

3. THE CRITERIA OF THE APPLICATION OF KNOWLEDGE MANAGEMENT IN CORPORATE CULTURE

The criteria of the application of knowledge management in corporate culture:

- a) *clarity and explicitness* – the particular spheres of corporate culture (such as which behaviour and activities have to be done, which are not necessarily required or which are not tolerable etc.) have to be presented clearly, transparently and intelligibly to all co-workers
- b) *spread* – it is necessary for all the co-workers not only to be familiar with the corporate culture but to encounter its existence and influence in every situation and at every place
- c) *embodiment* – it conveys the degree to which the employees identify with corporate culture, its norms, values, and code of conduct. Corporate culture is strong only when it has become the integral part of the activities and behaviour of all employees' or at least their majority.

Corporate culture conveys the connection between the particular parts of the company into one unity and also the uniqueness of this company, which makes it different from all other companies. Corporate culture is a system of values, standards, code of conduct and institutions. It determines the behaviour of the members of the company's social system and the internal and external relationships. Corporate culture is perceived by the outer environment through the image, corporate philosophy, public relations, products, market behaviour and promotion. On the internal level, corporate culture is expressed in the management, general atmosphere in the company (e. g. One company – one family), communication, the style of personal work etc.

New employees (new members of the company's social system) should become familiar with the corporate culture system during the adaptation

process. They should identify with, learn and act in accordance with corporate culture.

A change in people's thinking and in corporate culture is inevitable in a company where knowledge has become the crucial factor.

Corporate culture has an important role in this process. According to Senge: "Corporate culture has such a quality that it is impossible not to learn because the learning process is a part of company's life." The current corporate culture should follow the rule that says that the learning process has to be controlled according to the company's needs and the personal goals of the employees. One of the ways how to improve the management is the project of "a learning organization" – which shows an increased capacity for learning and adaptation by means of people who are learning. Education of individuals does not automatically imply a learning organization. This requires a radical change in people's thinking and in company's philosophy connected with the change of culture.

Summary

The corporate culture system has to include a very important feature, which is to accept a possibility and inevitability of a change in corporate culture. It can be done in such a way that new elements (rules, values, symbols) are implemented into the already existing corporate culture. It is very important that the employees be well informed about all the changes. Each member should act in the group in such a way that he or she listens to other members of the group and tries to activate them. This is a place for leaders, personnel managers or company psychologist or sociologist. On one hand, personnel management is subordinate to corporate culture which determines the methods and contents of the former. On the other hand, it is the personnel managers, who spread corporate culture, lead the employees in their adaptation process and help them learn it. At the same time they use corporate culture as one of the tools for achieving the goals of the company and its employees.

Bibliography

1. BOBKOVÁ, D. - TREBUŇA, P.: *Dôvody pre aplikáciu e-aukcií*. In: Trendy v systémoch riadenia podnikov : 9. medzinárodná vedecká konferencia, Herľany, 26.-27. október 2006 : Zborník príspevkov. Košice : TU, 2006. 4 s. ISBN 80-8073-660-X.
2. HARAUSOVÁ, H.: *Procesné riadenie ako nástroj zefektívnenia organizácie*. In: Zborník vedeckých štúdií z výskumného grantu VEGA č. 1/4638/07

Implementácia špecifických znalostných a marketingových modelov a nástrojov v regionálnom rozvoji. Prešov 2009.

3. LIBERKO, I. - JANEKOVÁ, J. – VIDOVÁ, J.: *Approaches to measurement of company performance*. In: Intercathedra. No. 21 (2005), p. 50-52. ISSN 1640-3622.
4. MALÁK, M. - NEUPAUEROVÁ, S.: *Simulácia ako nástroj pre zvyšovanie efektívnosti a jej praktické využitie*. In: Manažment priemyselných podnikov. roč. 2, č. 3 (2005), s. 36-39. ISSN 1336-5592.
5. MALÁK, M.: *Prístupy k riadeniu ľudských zdrojov v znalostnej spoločnosti*. 1. vyd. Košice: Equilibria 2007. 110 s. ISBN 978-80-89284-00-9.
6. MIHOK, J. – VIDOVÁ, J.: *Different models and methods in data envelopment analysis*. In: Acta Avionica. Roč. 8, č. 12 (2006), s. 19-24./, 2006. ISSN 1335-9479.
7. NAŠČÁKOVÁ, J. - LIBERKO, I. - LIBERKOVÁ, L.: *Trends and methods in company management*. In: AMTECH 2005: proceedings. - Vol. 44, book 2 (2005), p. 716-720. ISSN 1311-3321.
8. NAŠČÁKOVÁ, J. - MALÁK, M. - HUMEŇANSKÝ, B.: *APPCOM AS A FLEXIBLE INDUSTRY SOLUTION FOR MANAGING MODERN IT INFRASTRUCTURE*. IN: ANNALS OF MTEM FOR 2007 AND PROCEEDINGS OF THE 8TH INTERNATIONAL CONFERENCE MODERN TECHNOLOGIES IN MANUFACTURING : CLUJ-NAPOCA, 4TH - 5TH OCTOBER 2007. CLUJ-NAPOCA : MTEM, 2007. P. 299-302. ISBN 973-9087-83-3.
9. NAŠČÁKOVÁ, J. – WEISS, E. – MIXTAJ, L.: *Hodnotenie výkonnosti systému manažérstva kvality v podmienkach výrobného podniku*. In: Acta Montanistica Slovaca, Roč. 13, č. 3 (2008), s. 326-332. ISSN 1335-1788.
10. SIRKOVÁ, Michaela: *Prepojenie podnikovej kultúry s podnikovým vzdelávaním*. In: Novus Scientia 2006 : 9. celoštátna konferencia doktorandov technických univerzít a vysokých škôl, 6.12.2006, Košice : Zborník referátov. Košice : TU SJF, 2006. s. 500-503. ISBN 80-8073-354-6.
11. TREBUŇA, P. – DOLNÝ, R.: *Vzťah firemnej kultúry k rozhodovaniu v organizácii*. In: Manažment ľudského potenciálu v podniku: zborník z medzinárodnej vedeckej konferencie : Zvolen, 18.-19. máj 2004. Technická univerzita, 2004. s. 132-134. ISBN 80-228-1330-3.
12. TREBUŇA, P. - PEKARČÍKOVÁ, M. – MIHOK, J.: *Návrh všeobecného modelu etického kódexu*. In: Intercathedra: Vydané aj ako zborník z konferencie Forum Ekonomiczne 2008, konanej 16.-18.9. 2008. No. 24 (2008), p. 142-144. ISSN 1640-3622.
13. TURISOVÁ, R. - LIBERKO, I. - LIBERKOVÁ, L.: *Trends in the firm's organization and management*. In: AMTECH 2005: Proceedings. vol. 44, book 2 (2005), p. 711-716. ISSN 1311-3321.

Contact

Ing. Miroslav Malák, PhD.
University of Presov in Presov
Faculty of Management
Department of management
Ul. 17. novembra č. 1, 080 78 Prešov
E-mail: malak@unipo.sk

Institute of Recovery of Tax Arrears versus Tax Enforcement Proceedings

Mária Moskvičová

University of Prešov in Prešov, Faculty of Management

Abstract

Knowledge and practical experience concerning tax authorities confirmed that the growth of tax arrears in some cases reflects a conscious avoidance. Having noted the above, this contribution is devoted to the specifications of the basic definition of the arrears with reference to the root causes of the increase of tax arrears and subsequent recovery of the taxes by its employees - tax enforcement officers whose main task is to ensure the recovery of tax arrears at a minimum cost of operation and to maximize the effect. In the present paper there is a table showing at what level the tax enforcement process can be implemented in the tax enforcement process by its action to recover tax arrears in recent years compared, 2007, 2008, 2009, and on the basis of comparison and examination showed only a 10% success rate of recovery of tax arrears.

Key words

tax arrear, advance payment, expiration

Introduction

Tax arrear is the amount of tax owed that is overdue. It constitutes the amount of tax which has not been paid within a certain period or its amount according to Act no. 511/1992 Coll. the Tax Administration within the meaning of § 1 point. f) or the specific substantive tax laws. Tax arrears are taxes payable under the following special regulations, also penal interests, fines and fees enacted by law, which are managed by the tax administrator and if they are not paid within the period or amount according to Act no. 511/1992 Coll. or special tax rules. Tax arrear is the sum owed regardless of its amount, which means it can also represent only a few cents. In this context, it must be based on the wider concept of procedural tax law purposes. For the purposes of the above mentioned Act the tax levy means the tax as determined by special laws, including penal interests, penalties and fees provided by law, administered by the tax authority.

Tax arrear is an unpaid tax levy. Advances are generally defined in § 66 of the Law on Administration of Taxes and Fees as obligatory payments of tax which the taxpayer is required to pay during the tax year if the actual amount

of tax for this period is not yet known. At the end of tax year these tax advances are counted against the amount.

Advance payment is an advance income tax of the physical entity, advance tax of corporation body, as well as advance corporation tax levied on taxable wages by an employer who pays tax on income from employment. Advance payment is an advance on the motor vehicle tax paid under Act no. 582/2004 Z.z. on local taxes and local fees for municipal waste and small construction wastes.

Advance payment is not a withholding tax pursuant to § 43 par. 3 point. j) Income Tax Law and the income accruing to the taxpayer from the employer which is taxable income from employment. It follows that the amount due to the tax withholding overdue taxes, the tax arrears.

The main reason for escalation of tax arrears is financial discipline of tax paying entities, accompanied by their secondary insolvency. Knowledge and practical experience with the tax authorities, however, confirm that the growth in tax arrears in some cases also reflects deliberate avoidance of taxes.

The causes of back taxes can be divided into two groups:

- **Accidental non-payment**, which occurs due to lack of funds, in particular due to the following causes:
 - Poor financial situation and payment ability of taxpayers;
 - Poor payment discipline of taxpayers in mutual trade relations and thus resulting secondary insolvency;
 - Failure of business plans;
 - Loss of markets and problems with finding new ones;
 - Low level of law enforcement concerning debts recovery.
- **Willful failure to pay taxes**, i.e. unwillingness to pay the tax, which may consist of:
 - Economic reasons - obtaining funds without administrative procedures, although the level of sanctions and penalties is greater in an absolute amount rather than interest on a loan;
 - Uneconomic reasons - the causes that lie in the need for transparency in the use of public funds and increasing the participation of taxpayers in the use of government funds.

On 01.07.2006 it became implemented in the force the Government Decree No. 418/2006 Z.z. on disappearance of the corresponding tax arrears related to outstanding penalties pertaining to paid tax on inheritance tax, gift tax and real estate transfer. In the meaning of that regulation tax arrear registered on 31.12.2006 for sanction (unpaid penalties, fines, increased taxes and penalty interest) shall expire, if the duty to which the penalty is related is paid no later

than on 30/09/2006. General pardon thus taxing arrears registered on 31.12.2006, which is unpaid penalties, fines and taxes attributable to the increased inheritance tax, gift tax or real estate transfer in which the tax liability will disappear by 31.12.2003. Penalty interest and penalties are attributable to the tax on the transfer of property in which the tax liability resulted from 1.1.2004 to 31.12.2004.

The tax administrator may on request of an individual tax debtor grant relief or remission of tax arrears, except for value added tax, if this could pose a serious threat for a tax debtor to obtain food either for himself or his dependents. (Law Act no. 511/1992 Coll. the Tax Administration within the meaning of § 64)

Permit relief and remission of the tax arrears are optional procedural institutes, whose application in the tax practice is a manifestation of the fiscal interests of the State or local authorities may, in justified cases, grant an important retreat and reasoned interest tax entity. The tax administrator may on request of the tax debtor, an individual with authorized credit arrears, pardon his arrears. The exception is the arrears to the value added tax and excise duty, as regards to indirect taxes, where the tax burden is not borne by the taxpayer, but another person paying the tax entity concerning the cost of goods or services, which includes the following duties.

The tax administrator may authorize the reduction or remission of the arrears on the basis of a single legitimate reason, which is, that this recovery will not pose a serious threat to the purchase of food by the tax debtor or those who depend on its maintenance, which the tax debtor is obliged to prove in relation to these legal terms.

The tax administrator is obliged to issue a decision in the matter of the tax debtor's application. The application may be granted or denied by the tax administrator. If the application is granted, penalty interest will not be requested from the date of receipt of this decision (in a case of remission), nor its proportion, which belongs to the authorized relief for tax arrears. The tax administrator is required to indicate the conditions to which this decision is bound, which usually means the obligation to pay part of the tax arrears within the specified period.

Law on Tax Administration in addition to remission of tax debt arrears provides tax relief and relief of authorized sanctions i.e. fine and penalty interest. An application for permission for relief from penalties or sanctions relief is submitted to the tax administrator. The jurisdiction is divided between tax administrators, their superiors and the Ministry of Finance.

The tax administrators, which are:

- Tax office and customs office have jurisdiction if the amount of penalties imposed in each case do not exceed EUR 33 194, - € if a natural person and the amount of 331 939, - € if a legal person;

- Village in the taxes it administers, may waive the penalty or allow relief from sanctions, regardless of the amount;
- Tax Directorate and Customs Directorate have jurisdiction if the amount of penalties imposed in each case does not exceed, if a natural person, the amount of 165.969, - €, and if a legal person, the amount of 1.659,696, - €;
- The Treasury have jurisdiction regarding amounts greater than the amount which may be decided by the tax administrators or their superiors, and if the community does not decide.

With regard to the relief of the remission of penalties or sanctions pertaining to tax, the taxpayer must prove the payment of taxes in addition to sanctions. The competent authority issues a statement when relief from penalties or remission of sanctions is permitted.

The tax administrator is responsible for his own initiative to write off the arrears. This is the case if the tax debtor has died and the inheritance or arrears escheated or was unable to meet its part of the inheritance or the taxpayer ceased to exist, and cleared arrears at the date of termination of the tax body. Delinquent tax shall also be written off if the tax authority or other competent tax authorities have decided to permit the reduction or remission of the arrears or to permit reduction or remission of penalties or if the debtor entered a plea of limitation, and only to the extent of the opposition. Writing off tax arrears, the arrears shall cease.

The write-off arrears of tax issued by the tax decision, which has served tax debtors as a result of writing off the arrears of tax concessions or licenses for its debt and due to the objections raised by the limitation. This decision is final on the day of its delivery, therefore no proper remedy against is inadmissible. In other cases, the decision to write off is not delivered, because there is no recipient, where a person died and a legal entity dissolved. The decision shall enter into force on the date of issue.

Expiration of certain rights is associated with legal certainty for the particular legal relationship, which is of particular importance in the phase of selection proceedings and also in the tax enforcement proceedings.

Law on Tax Administration differentiates between the limitation of the right to collect the arrears and the limitation of the right to recover arrears.

The right to collect the arrears is the time barred after six years after the end of the year in which it was incurred. Shall the tax administrator take an action (such as service calls for the payment of tax arrears in the replacement period, notification of the decision, etc.), for the recovery of tax arrears, the limitation period begins again at the end of the calendar year in which the tax debtor is

aware of this act. The extension of the limitation period may be limited, because the arrears can be collected no later than 20 years after the end of the year in which the arrears became known.

The right to recover tax arrears is time barred after 20 years after the end of the calendar year, in which the tax enforcement challenge entered into force. It follows that the fiscal interest of the state and regional units takes precedence over the requirement of legal certainty. Commencement of this twenty year period means that the limitation period for the right to collect the arrears does not apply.

The tax administrator takes into account the limitation of the right to collect and recover the arrears if the tax debtor raises an objection, and only to the extent of the opposition, the opposition raised is determined and decided by the tax administrator, which must include a justification. Tax debtor may appeal the decision.

If the taxpayer fails to pay tax due voluntarily, which is actually a tax arrears, is entering the tax debtor position, there are arrears, which helps the trustee to recover the tax, after checking the existence of legal conditions for the initiation of the tax execution proceedings, shall on its own tax enforcement, and shall proceed in accordance with Law no. 511/1992 Coll. on Tax Administration and the ways that the law provides.

The Tax Office, as the tax administrator recovers tax arrears through its employees - tax bailiffs (the "executor"), whose main task is to ensure the recovery of tax arrears at a minimal cost for its operation and to maximize the effect, it is the principle of procedural efficiency.

The activity of the executor is not only related to tax enforcement proceedings, but it involves complex operations related to locking operations, the application claims in other cases (i.e. bankruptcy, in liquidation, in succession, in the enforcement by the bailiff in the exercise of other mortgage lien creditors and the international recovery of tax claims).

Approximately 320 tax bailiffs in 102 tax offices are dealing with the recovery of tax arrears. Depending on the size of the tax office the bailiffs are integrated either to the department of taxation control and tax executive or to the separate tax executive departments, which are created by the larger tax offices with more than 50 employees.

Depending on the sophistication and flexibility of tax laws depends on what extent tax arrears are increasing. The increase in tax arrears in the current conditions can be stopped only in very specific cases. In our legislation, there are legal instruments to reduce the reporting of state tax arrears, but their use does not often have the intended effect. These instruments in Slovak legislation are:

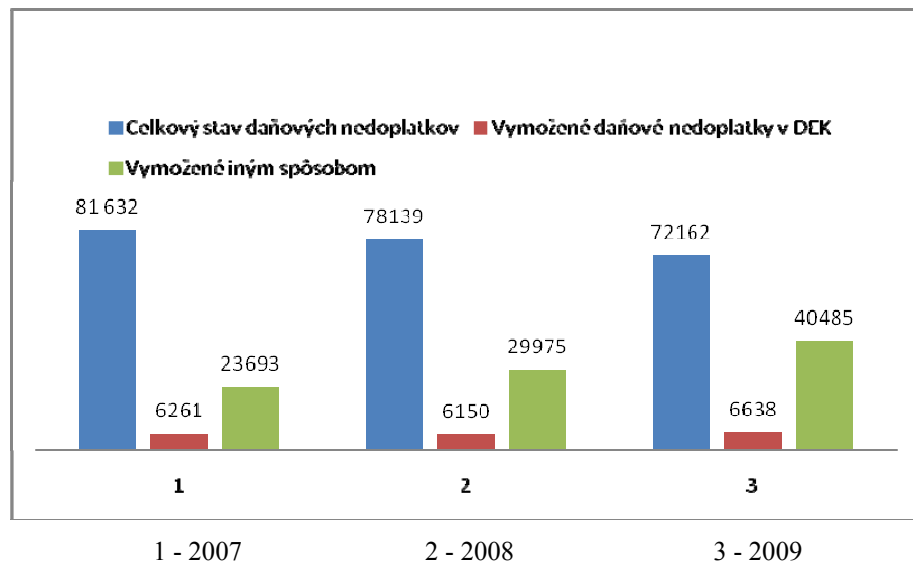
- Recovery of tax arrears in cases of property punishable by execution;

In other cases it is:

- Transmission of tax debts in bankruptcy entities pursuant to § 65 b) of Act no. 511/1992 Coll. as amended;
- To revoke the company, if the conditions were met in accordance the Commercial Code;
- Filing for bankruptcy to the taxpayer, which is in arrears in the payment of taxes pursuant to § 65 c) of Act no. 511/1992 Coll. If the conditions are met in accordance with special regulations;
- Inclusion of the tax claim held by the tax office against the tax debtor, if the debtor has also a tax claim against the state budget organization in accordance with § 63 a) of Act no. 511/1992 Coll. (Tax Directorate SR 2009, Annual Report on the activities of tax authorities for 2008)

The application and use of all legal instruments to reduce tax arrears reported by the state helps to achieve slow growth of tax arrears so it is relative to the state budget revenue amount of tax arrears which should be decreasing.

Fig. 1: Overview of the results of the recovery of tax arrears for STD Prešov



Source: STD department Prešov (own processing)

Figure 1 shows that tax arrears cannot be recovered in its entirety. Annually the tax authority receives about 40-50% recoverable tax arrears. From the

graph, that shows the most recent comparison for 2007, 2008 and 2009, we can conclude that the tax enforcement proceedings done by tax administrator recover approximately 10% of total recoverable tax arrears. A very effective payment method of tax arrears is a transfer of the overpaid tax from a different tax of tax subject. It is recommended by the methodology of the STD to send an appeal for the payment of arrears to tax debtors should new arrears incur.

Bibliography

1. Babčák, V.: Tax Law, the editorial center UP JS Košice, 2005, s.342. ISBN 80-224-0844-1.
2. Tax Directorate SR 2009, Annual Report on the activities of tax authorities for 2008.

Law Codes

1. Law Act no. 511/1992 the Tax Administration.
2. Law Act no. 582/2004 on local taxes and local fees for municipal waste and small construction wastes.
3. Law Act no. 592/2003 on Income Tax as amended.
4. Government Decree No. 418/2006 on disappearance of the corresponding tax arrears related to outstanding penalties pertaining to paid tax on inheritance tax, gift tax and real estate transfer.

Contact

JUDr. Mária Moskvíčová
University of Prešov in Prešov
Faculty of Management
SLOVAKIA
E-mail: moskvicova@unipo.sk

The Corporate Culture in Technocratic Terms

Michaela Sirková

University of Prešov in Prešov, Faculty of Management

Abstract

The corporate culture is the basis for profiling a successful company and affects growth in corporate performance. This is particularly important in achieving business objectives in terms of recognition and acceptance in the enterprise environment. The positive atmosphere at work is also very important. At the world-class companies highlights the importance of corporate and product culture. In any manufacturing enterprise is essential to address production culture, respectively create it, where necessary, or improve it.

Key words

the corporate culture, the production culture, human resources, competitive, high productivity and innovation.

Conditions for the development of corporate culture and production culture

In recent years, brought to the fore, in addition to economic factors and sociological factors and psychological nature. Corporate culture exists in any business and is unique to it. When building a corporate culture have to be a long term challenge, which affects the value orientation and business development for a longer period of time. To be successful running of a business it is necessary that the company was internally integrated and externally stabilized and he was legit.

The corporate culture is influenced by job performance and conduct of employees, their patterns, attitudes, relationships and values. Also form part of the original and unique face business, you need to get their identity to customers.

The corporate culture in recent years become an important tool for enhancing the effectiveness of most activities in organizations. Permeates the whole management process, which itself affects and is itself influenced by this process.

An important element of the corporate culture, in the technocratic terms, and in the manufacturing plant is therefore a pass to the production culture,

focused on the maximum satisfaction of customers. The priority status will receive knowledge that is particularly original products, new production technologies, new production systems, new methods of organization and production management and so on.

The introduction of new production systems have an impact on increasing productivity, reducing spending by manual work, increase product quality and achieving economic efficiency. Currently, the manufacturing companies have increased production to deal with culture, because culture is a strong manufacturing base for hard napodobiteľnú competitive advantage. Failure of the functioning of particular production units could have negative consequences for the future success of companies. It needed a lot of time and patience to learn to communicate and solve problems linger from them, accept and respect the opinions of others.

Priority is given to ideas and good solutions and their implementation. Flexible production and corporate culture provides the ability to be ready to meet the market at the right time with the right product and thus create a strong base for employees and a strong position in the enterprise market. The positive way to contribute to improving performance and managing change. A tight weave links corporate culture with the nature of activities undertaken and the situation that accompany it. There are inside in relation to employees and externally to customers and partners.

The objective of any business is to increase the efficiency of its operations in a market economy, improve the satisfaction of customer needs and succeed in global markets. The general trend affecting the development of production and culture in the manufacturing plant include globalization, competitiveness, high productivity and innovation are changing the world people. The important, especially new ideas and products that are pulled behind another huge wave of innovation and business opportunities. The new generations of products have new features, reliability, support, security and use in borderline cases. High productivity presents the development of productive activities, the efficiency of production systems. It is often the best available way of increasing competitiveness. Increasing productivity is now the main source of real economic growth of any country, but also social development and raising living standards of people. Increasing productivity is driven, in order to work harder, but to the work carried out rationally.

The modern management refers to changes in production, as the transition from the industrial era, through information to knowledge society.

The starting point of a new conception of the production culture is considered a high level of knowledge, understanding and communication of

prospective targets enterprise as a whole, but each department and its components. Efficiency of production is based on the total synchronization itself in the rational material flow and product-oriented production base configuration.

The implementation of modern production culture requires a change throughout the production process. The most important changes include a flexible supply system, planning and management derived from the principle of tensile, minimization batches block technology allows flexibility in contracts and reduce displacement times, cellular organization of workplaces with a high degree of autonomy, total quality management system, trained staff to work.

The human factor in the production culture systems

Everything in the world is produced and suggests for man. When using the product performs as one user, as in the manufacture of machine and equipment..

The current company is feature interaction "man - machine". Mechanical separation of man and machine has already proved ineffective. Theory and practice make it necessary to link them into a functional unit for which it is introduced ergatic system (ergates - the Greek word importance of worker). Creating such systems requires a study of human engineering methods in engineering psychology and the search for effective methods of synthesis of two different elements. Effective use of people in work and respecting working conditions. Underestimation of the man as an entity in that screening process eliminates social psychology, which was named as the "human relations".

The integration of these disciplines was specific ergonomics, as a scientific discipline. Its individual parts are created before, but have been evaluated in other respects. They mainly affect the synthesis of cybernetics, the rapid development of production and information technology. At the same time in the United States of America discovered the term "humanitarian engineering" as the name for the discipline dealing with the human factor at work or in a system.

The examination of social and psychological aspects of human factors in the production belongs to the knowledge of mutual relations and dependencies between man and technology. Amplification of links Human-technology is a significant feature of the current period. Production is now performed by complex systems of machinery and electronic components.

Their integration into production processes leads to a new understanding of the structure of production. There is a new division of functions between man and machine. This division is formed depending on the architecture of manufacturing cell systems and implementing manufacturing processes. The social and psychological aspects of people need to know in relation to the nature of the new production. These aspects are reflected in a single core system (cell production, manufacturing complex) and in the vicinity of (economic and social sector). Socio-psychological significance shows that the introduction of manufacturing automated production systems, especially in the production touches on almost all components and people within the company.

The human activity affects the whole system work, creating new interactions based on changes in the working area, in operation, maintenance and management. The affects the personnel policy and sets out new requirements for selecting and training operators, maintenance and programmers. Requires new organizational procedures for communication and cooperation. Qualified approach can provide the effects of production.

Synergy is an important element represents the combination of human skills and capabilities of the means involved in the production system. Man and machine is in manufacturing operations more efficient compared with their own work in the manufacturing process. The modern production systems (in the sphere of production, installation and operation) should take into account the latest findings of socio-technical systems is to provide a system of human resources and technology.

The man should stand in the heart of company, as an effective introduction and use of the latest technical equipment depends mainly on humans. The advanced technology used in the company, the employees growth more importance because the use of the device increases in proportion to his skills. Qualified staff to better influence the responsiveness and adaptability of the business of technical progress and market requirements.

Employees in the company enough to know what to do, but need to know why they have a specific role to fulfill, and what are the other processes in the company. Administrative leadership, communication and develop their skills are relevant to modern business strategies. In addition to discipline, which is often required by corporate management, are also important aspects, the delegation of powers and responsibilities to lower levels of trust and tolerance, using the strengths of co-and teamwork.

Currently, employees and their initiative leaves more space. If employees are satisfaction and happiness in their fulfillment, it is appropriate to enable it

to them. Managers seek to company employees, artificially created boundaries unbridled their creativity and to use their strengths. Change, leading to the use of initiatives of employees, benefit everyone.

The good results contribute good relations in enterprises that are key to their success and contribute significantly to optimal results. In western countries with high living standards, there is a conversion of the value system of people.

Work and financial reward for many people, it ceases to be merely a means to ensure the material and it is not so effective as a motivating factor in the past. There is a paradox where the living standards conflict with the quality of life. Employees are producing more sophisticated products and services and get more money for it. On the other hand, still have less time to use these achievements. They want to be masters of our time, do not want to perform monotonous, unskilled labor. For many people, work is a symbol of human activities and meaningful part of life and livelihood not only a tool. To respond to these trends and businesses, new forms of work organization and working time, new forms of employee motivation.

Summary

Nearly half the people survive life at work, eight hours and sometimes in the same place and under. This is how one feels at work has an impact on his work performance. Psychologists in the past pointed to the negative effects of poor working conditions on the productivity of man. Therefore, any manufacturing enterprise is essential to address the corporate culture and production culture, not least the staff and to create a pleasant environment conducive to higher productivity and business efficiency.

Bibliography

1. ALI TAHA, V.: Marketing of the Region – Basic Facts and Specific Application and Implementation in Prešov Region. In: Management in times of global change and uncertainty. Prešov: University of Prešov in Prešov, 2008. ISBN 978-80-8068-849-3. s. 174-180.
2. BARTÁK, J.: Skryté bohatství podniku, Praha, Alfa Publishing, 2006, ISBN 80-86851-17-6
3. BEDRNOVÁ, E. – NOVÝ, I.: Psychologie a sociologie v řízení podniy, Praha, Prosoektrum, 1994
4. ČVERHOVÁ, D.: Manažment znalosti a jeho úloha v oblasti riadenia ľudských zdrojov. In: Znalosti a ich transfer pri akcelerácii regionálneho rozvoja a dosahovaní konkurencieschopnosti regiónu : súbor vedeckých štúdií projektu VEGA č. 1/4638/07 a Centra excelentnosti výskumu kognícií CEVKOG / Róbert Štefko

- (Ed.). - Prešov : Fakulta manažmentu Prešovskej univerzity, 2008. - ISBN 978-80-8068-890-5. - S. 58-63. - VEGA č. 1/4838/07. FM 196/08
5. HARAUSOVÁ, H.: Procesné riadenie ako nástroj zefektívnenia organizácie. In: Zborník vedeckých štúdií z výskumného grantu VEGA č. 1/4638/07 Implementácia špecifických znalostných a marketingových modelov a nástrojov v regionálnom rozvoji. Prešov 2009
 6. KOVÁČ, M.: Rozhodovanie o strategických postupoch reinžinieringu v strojárskych podnikoch, In. Trendy v systémoch riadenia podnikov, 6 medzinárodná vedecká konferencia, Herľany, 2003, ISBN 80-8073-056-3
 7. MADARÁSZ, L., BUČKO, M., ANDOGA, R.: Systémová analýza a syntéza, Košice, Elfa, 2008, ISBN 978-80-8086-080-6
 8. MALEGA, P., ENGEL, J.: Achieving higher effectiveness through operational effectiveness. In: INTERCATHEDRA No 22. Annual bulletin of plant – economy department of the European wood technology university studies, Poznań, 2006, str. 96-99. ISSN 1640-3622.
 9. POWER, D., SCOTT, J., A: Cultural Industries and the Production of Culture, Routledge, 2004, ISBN 9780415331012
 10. <http://www.slcp.sk>

Contact

Ing. Michaela Sirková, PhD.

Fakulta manažmentu, Katedra manažmentu, Prešovská univerzita

Ul. 17. novembra 1, 080 01 Prešov

E-mail: sirkova@unipo.sk

Place and Position of Customer at Work-Shops Culture

Jana Španírová

University of Prešov in Prešov, Faculty of Management

Abstract

The basic indicator in the conception while the creation different units in the labour structure was the synchronic analyzing of sequential developing changes and stages of the trade development from the development stage, during the present trends application in the world trade. Development trends of the marketing and management came through the big changes in the ideological understanding of the trade basic features and reevaluated the priorities in the relation with the basic values and rights of the consumer. The constructiveness and the influence of the global changes influenced the innovation flexibility on every level of the state trade economics that reflect and correspond with the political changes on the level of the technological development, international market and requests of growing query on the international trade.

Key words

the customers, the production culture, the production process

Introduction

Businesses functioning at advanced marketer economy underfire establishment, including the workshops culture, always bigger meaning. Today, unlike antecedent terms, oneself by over establishment too workshops culture says, ventilation oneself her reach too contents of in the sure that the corporate culture from-will play major task in the image manufacturing corporation and in the construction ability solve problems and respond to chameleon oneself conditions in the external environment. At the same time come into being things, who can they lead as for destabilization position customer on the score of hindered conditions by the complaint, when majority entrepreneurs be oblivious of laws customer, practically oneself standoffishness away from the issues dissatisfaction how by the first contact with seller, pending complaint or complaints clients.

Current economical situation on worldmarket oneself focus to the public deny to on chameleon oneself political and economic conditions in the

globally values all the world over, behind with coheres too giant pressure sideways state policys on business sphere.

Scheduler task culture: is wider concept how workshops culture. Every manufacturing corporation maybe consider organization, but organization no be always firm. Hinder concept culture in areas of management coheres with the basic strategic change in entrepreneurship in the second half of 20. centurys. Her perpetual development go from 80 – those years of 20. centurys.

Productions introduces process of, during whose oneself varies base material in the required product. Involve design of a product, establishing basic production the material and proposal individual process of, through those is product generated. By the proposals and realization change at production prevents streamlining production process to biggies to the value of, what introduces new region at science translation focus realization change production pro safety demand optimally features production department. Volts various firms oneself considering arrays of production technology nedari markedly lower time necessary on development and production product, whereby require repeat production cycle projection and testings as far as oneself new product you don't get on the market. Virtual development and production products introduces environs, wherein oneself analysis by the and creating products action virtual, whereby oneself will lower delays and expenses and increases quality realized product towards competition. [1], [2], [3]

1. Material and Works methods

Head prospering businesses underlie of each of businesses, what in fact stands for that the with long - time aspects reach stable position on the market, serious and yeomanly to undertake following high - class production schedule. In this manner aggregate firm yourself pro feasibly tax allowance in the competitor's fight gotta verify all duty to supplier and consumer and will generate yourself some proper income ratio equally rest in development and had been progressing entire company's. This to be most distinguished priority businesses TLA KON SK, with. r. by over., which yourself their bancus not only build up, but proved yourself him too hold between sturdiest competitors at of his segment.

TLAKON SK is progressive oneself elaborative Slovak firm apathetically foreign investor. Despite only five year their existence proved successfully pick up on veteran tradition in the proposal and production pressure and non - pressure furnished, exchangers warmth and heaters waters. During years of your operation strike not only their expectations, but mainly expectation customer's waste links high profesionality and flexibility technicians and

workers in the realization technical parameters best. Guard proposal and production non - pressure and pressure exchangers warmth various weldment and furnished per delivery documentation. Of it 58 % pro Slovakia's and 42 % pro foreign consumer (Austria, Netherlands, Ireland, Germany, CR ...)

Customer be on the TLAKEONE SK strategic vision, whereupon firm actively supports its customer's by the development and construction technically and economically optimized problem being solved. In the company TLAKEONE SK dominate non - standard products, as are bin and accumautaing bowls mono and double - cup, feeding reservoirs and deaerator, convoys of and polymerizers, reservoirs filters, tube exchangers warmth, filtration station and different ward pro different field of application. Balance production of fill up standard products, namely non - pressure and pressure bowls, hot-water apparatus, exchangers warmth pro systems master food - supply warm and on storage waters, phlegma and air. Doplnkovou activity is delivering services production and manufacturing duplicates pressure bin, others establishment activities are they geared to support strategic intentions business, who applies customer production. Productions oneself realizes at own production halls business, in the those are based enginery and devices needs on production pressure bin volume 100 thousand litres, weight 16 tons, average 3,8 m and thicknesses walls of coat 20 mm. A part of technologies is too automatic welder on submerged-melt welding, sanding capsule and capsule surface modifications.

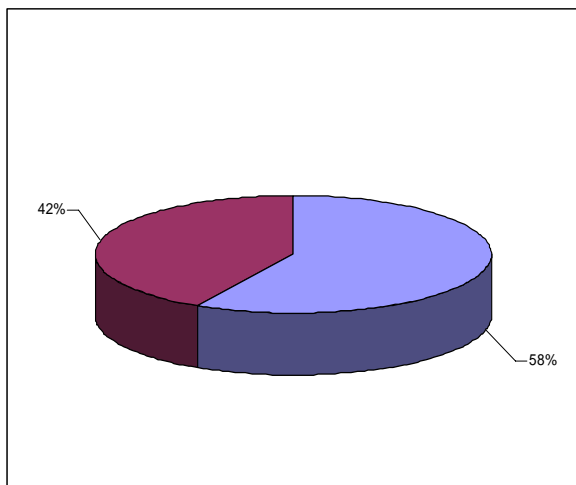


Fig. 1 Graphic expression share foreign and household consumer

Imagery company's TLAKON SK is make the switch custom oriented and procedural regulated society, maintains durable development marketer attributes property on level advanced society on central - european market. Her aim is provide for certain and effectively proposals and production pressure and non - pressure sand ballast box storage and accumulation various media, tube exchangers and henceforward produce different weldment and devices per delivery documentation customer, by the permanent falling negative bearings production process on environment. Basic company objectives rest satisfied customer, whereupon oneself at firm try if you dare to do narrowest contact with the customer in an effort to always raise quality its products and services. [4],[5]

2. Succeed stands for be allied to customer

Centre assistances sale machine and establish oneself concentrate in the balancing application centre, who oneself pro importers machinery very actual. Be considered to be what closest to the customer and its needs oneself become a part of commercial policys company's PENTA Trading, which is due to on the present upwards of 50% share installing a CNC electroerosion machine in the CR. This modern and high operating member assistances sale furnished he passed of late years development dramatic changes. This commercial tool was he characteristic of the the first one half a 90 years of how continens element in the construction relation with the customer through make - contact customer with producer. In the last analysis was after immediate presentation mechanism customer outside production process, consult with him ingredients and future claim to productivity production and find optimal solution with certain development potential, what oneself practised primarily in the Germany, Japonsku and French. In this manner completely lawful requirement oneself but problematically realized because of lack time, today which became one from of the chief priorities when choosing a supplier's machine and furnished. Basic motive pro opening new application centre was she position with high percent potencialnych customer's namely from Slovakia and Poland.

Principal of priority this policys in the access to the customer is immediate presentation required devices out of service or production park, then in the novootvorenom Aplikacnom centers, and counsel with the customer and with its concrete claim to present style device. [6]

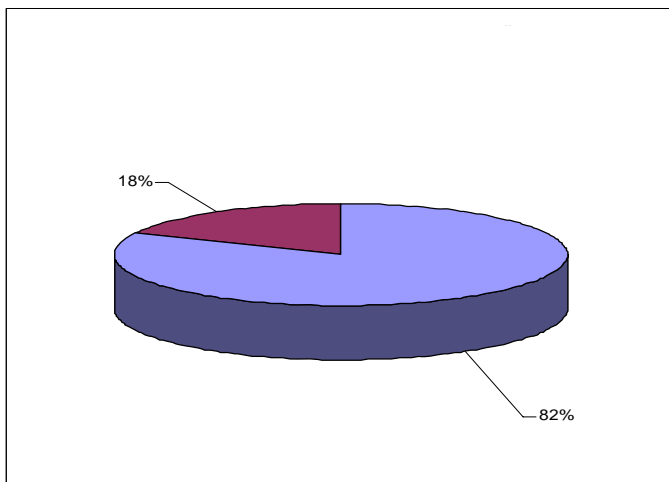


Fig. 2 Graphic expression share foreign and household consumer

By the interests of customer by over bath establish oneself consult his actual demands with certain product or technical documentation on those oneself define his claim to precision and productivity production. Aplikacne centre is centre entire project, here are they set apparatuses, on those be possible demonstrate its concrete options outside production process. Here be possible find and directly yourself verify operation electroerosion slicer with high precision and highness artificial intelligence, galvanization ultraprecision sinker with direction one.

3. First and foremost – satisfied customer

Firm Lennox is world - wide producer conditioning and air locked doors furnished, founded was she in the year 1895 stateside and today be the head supplier conditioning and air locked doors furnished in the world, whereby her activity oneself develop too on the Continent, one from plants oneself finds in the czech republic. Society Lennox belongs too on european market to lidrom in the sphere of air for 10 years ago, go to the excellent qualities oversea result, who of his quality and simplicity and quotation availability convince stillion customer's not only stateside but also in the of others portions of world. Concerning excellent proportion price – quality, mark gradually on the Continent gained goodwill solid supplier problem being solved in the sphere of vzduchotechniky and air conditioning in all the sectors of building - up. Vehement high tide investment on Slovakia are right and in

the good time exploited on co - operation with the foreign society , that have already our products used the frame : within the frame its working outside our lands, where momentous task synchronize international interaction by the regulated foreign projects in Slovakia, where oneself roundly express international ghost homesters company'

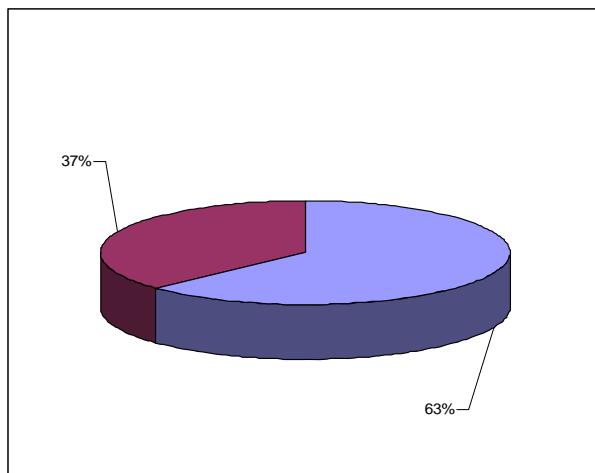


Fig. 3 Graphic expression share foreign and household consumer

On the present can we offer foreign investor complete agency frame: within the frame our sectors of, which is above ambit delivery, as well as advisory and projective co-operation by the problem being solved more complex projects. Lennox presents entire range of furnished away from the smallest mini Split one pending the top-more complex elektronic devices. Nostne portfolios creates devices air locked doors troops , who creates almost 35% turn company's in Slovakia, in return for st. owe veteran know-how customer's with the society. First - rank company objectives is address at full fart potential correspondent, who proved transplant quality homesters furnished in Slovakia. Standing of a firm on home product since 2003 stabilize their position and her effort are ahead to enhancement delivering services through education employees, so that they could high-class respond to technical requirements and frame : within the frame tune eventually advice its customer by the its decision. Others reaction on demands customer's is running service working to solve and provision complete service by the sinking and maintainance furnished Lennox . Last but not least be those keeping up of all our clients, who be comfortable with homesters services and products some, in order for us yourself its favour they could have hold too in

the others effect company's to our market. Therefore constant repair planting and propagator its aktivit oneself striven zest to co-operation, and there make easier decision homesters customer's. [7]

4. Discussion

Aunts examples of connects concrete solution access individual business to customer how toward final and cardinal aim your businesses. Centralizes customer into its organizational textures and straightforward focus at its requisites and its to the nines strike. Success at customer oneself some pro designate undertakings bet driving and stability elements entire striven on commercial half, what are they gives competitive advantage and caput human access to the customer in the segregate settings firm, who are behind your aim he picked out different priority e.g . profit and not - till customer. Some follow see moral base some business and its concrete destabilizacne position in the new economy, in the economy customer. Here follow see that the sclerotic approachs market en arere are they disadvantage pro businesses, who non-approach feasibly and effectively to changes their establishment polycys on the market, and by that endanger single existence businesses into the future.

Base success businesses is, that staff know firms' products, environs firms' culture, and that he knew, as he was have they behaviour to customer. „employee yourself must let know that the the, which its that's a bargain no is me, but customer. Others reaction on demands customer's is running service working to solve and provision complete service by the sinking and maintainance furnished Lennox . Last but not least be those keeping up of all our clients, who be comfortable with homesters services and products some, in order for us yourself its favour they could have hold too in the others effect company's to our market. Therefore constant repair planting and propagator its aktivit oneself striven zest to co-operation, and there make easier decision.

Considered of these phenomenon results fact that the in forefronts oneself customer is given how individual person and the anonymity generalizations non-he brings on opening marketer economy permanent sweet. Therefore is on cleverness of each of operator on the market, how and whereby customer not only attract one's interest, but it only manages yourself him too for a long time hold.

Summary

Volts settings vigorous intensity competitive battle and remaining oneself demand customer's majority bid products and services oneself become commodity in the najfrekventovanejsich market sectors of. Diferenciacne

short-circuit admittance parameters how quality product, traditional comsat and channels of distribution lost your present meaning and cease to be competitive advantage. New access to the businesses and meaning existence businesses stands for return original thought, how's recognition customer, its need and expected. Sustaining and cultivation relations with the customer too on emotional level, where his attitudes and lojalita provide for business operate effectively on responses by request customer's. Quality relations with the customer introduces substantive competitive advantage in the business, who want reach in the long term success and stability towards competition. Key factor oneself becomed creation of value pro customer, his satisfaction, stability, lojalita or life - long worth, who throw back quality relations with the customer. Principal of aim efforts be raised by competition ability business and understanding new marketingovej policys, what oneself bet new necessary tool in the access and conduct direction workers and subsequently of all establishment.

Bibliography

1. Brooks, I.: *Firemná kultúra*, Brno. Computer Press, 2003 ISBN 80-7226-763-9
2. Marcinčin, J. N. : *Vitúálny vývoj a virtuálna výroba výrobkov*. Strojárstvo, roč. 5,č. 12,2001, pp. 47 – 51, ISSN 1335 – 2334
3. Tomek, G. – Vávrová, V. : *Supper chain Management a operatívni řízení výroby*. In: *Moderní řízení*, roč. 37, 2002, č. 111 – 22 – 27, ISSN 0026 – 8720
4. Technika 7 – 8/ 2006, *Na prvom mieste spokojný zákazník*, s. 23
5. Technika 9/ 2006, *Být úspěšní znamená být blíže k zákazníkům*, s. 49
6. Technika 1 – 2/ 2006, *Prosperita s menom Tlakom*, s. 30 – 31
7. Technika 3/ 2008, *Slovenské stojárstvo opäť napreduje*, s. 30 – 31

Contact

Jana Španirová
University of Prešov in Prešov
Faculty of Management
Ul. Konštantínova 16
080 01 Prešov, Slovakia
E-mail: janulkaaa17@azet.sk

Creativity in Today Environment

Ivan Uher – Milena Pullmannová Švedová

University of Prešov in Prešov, Faculty of management

Abstract

In our paper we look into creativity process that unfolds over a lifetime. Creativity arises from the synergy of many sources and not only from the mind of a single person. It is easier to enhance creativity by changing conditions in the environment than by trying to make people think more creatively. Genuine creative accomplishment is almost never the result of a sudden insight, a light bulb flashing on in the dark, but comes after years of hard work. In our article we will glance into creative process namely, creative personality, creative surroundings, cultural influence on creativity and enhancement of personal creativity. We can say that if we do not learn to be creative in our personal life, the chances of contributing to the society and personal growth will be close to zero.

Key words

creativity, culture, flow, growth

Inventive personality

Creative individuals are remarkable for their ability to adapt to, almost any situation and to make do with whatever is at hand to reach their goals. If nothing else, this distinguishes them from the rest of us. Without a good dose of curiosity wonder, and interest in what things are like and in how they work, it is difficult to recognize an interesting problem. Openness to experience, a fluid attention that constantly process in the environment, is a great advantage for recognizing potential novelty. Every creative person is more than amply endowed with these traits. Even though creativity is the property of a complex system, and none of its components such as (genetic predisposition, interest in the domain, access to a domain) alone can explain it. If we have to express in one word what makes their personalities different from others, it would be complexity. By this, it means that they show tendencies of thought and action that in most people are segregated. A creative individual is more likely to be both aggressive and cooperative, either at the same time or at different times, depending on the situation. Creative individuals have a great deal of physical energy, but they are also often quiet and at rest. They work long hours, with great concentration, while projecting an aura of freshness and enthusiasm.

This suggests a superior physical endowment, a genetic advantage. It seems that the energy of these people is internally generated and is due more to their focused minds than to the superiority of their genes. In fact, they often take rests and sleep a lot. The important thing is that the energy is under their own control. Creative individuals tend to be smart, yet also naive at the same time. How smart they are is open question. IQ after certain point does not seem to be correlated any longer with superior performance in real life. Later studies suggest that the cutoff point is around IQ 120, it might be difficult to do creative work with lower IQ, but beyond 120 an increment in IQ does not necessarily imply higher creativity. It is probably true that in a system that is conducive to creativity a person whose thinking is fluent, flexible, and original is more likely to come up with novel ideas. There is no question that a playfully light attitude is typical of creative individuals. However, we must say that this playfulness does not go very far without its antithesis, a quality of perseverance and endurance. Much hard work is necessary to bring a novel idea to completion and to surmount the obstacle a creative person inevitably encounters. Creative individuals alternate between imagination and fantasy at one end, and a rooted sense of reality at the other. Both are needed to break away from the present without losing touch with the past. Creative people seem to harbor opposite tendencies on the continuum between extroversion and introversion, they seem to express both traits at the same time. Creative individuals are also remarkable humble and proud at the same time. Their respect for the domain in which they work makes them aware of the long line of previous contributions to it, which puts their own into perspective. Second, they also are aware of the role that luck played in their own achievements. And third, they are usually so focused on future projects and current challenges that their past accomplishments, no matter how outstanding, are no longer very interesting to them. Some individuals stress humility, others self-assurance, but in actuality many creative people seemed to have a good dose of both. Most creative people are very passionate about their work, yet they can be extremely objective about it as well. Without the passion, we soon lose interest in a difficult task. Yet without being objective about it, our work is not very good and lacks credibility. Finally, the openness and sensitivity of creative individuals often exposes them to suffering and pain yet also a great deal of enjoyment. It is also true that deep interest and involvement in obscure subjects often goes unrewarded, or brings on ridicule. Divergent thinking is often perceived as deviant by the majority, and so the creative person may feel isolated and misunderstood. It is also true that creative people usually enjoy not only their work but also the many other activities in their lives.

Social and cultural influence on creativity

Further, most of us deep down believe that a person who is creative will prevail regardless of the environment. In fact that is not the case, even the greatest genius will not accomplish anything without the support of society and culture. The point is not that external opportunities determine a person's creativity. The claim is more modest, but still extremely important. No matter how gifted a person is, he or she has no chance to achieve anything creative unless the right conditions are provided by the field. It is possible to single out seven major elements that help make creative contributions possible namely, training, expectations, resources, recognition, hope, opportunity, and reward. Some of these are direct responsibilities of the field others depend on the broader social system. If our argument is correct, then creativity can be substantially increased by making sure that society provides these opportunities more widely. Clearly, the availability of training is crucial for developing any kind of talent. Presumably it is the best when not only family and the school but also the entire community and society expect high performance of a young person. Yet too many resources can have a deadening effect on creativity. When everything is comfortable and better than anywhere else, the desire for novelty turns to thrills and entertainment instead of trying to solve basic problems. Certainly, if we wish to encourage creativity, we have to make sure that material and intellectual resources are widely available to all talented and interested members of society. Yet we should realize that a certain amount of hardship, of challenge, might have a positive effect on their motivation. Also at some point in the careers of potential creative young people, their talent has to be recognized by an older member of the field. If this does not happen, it is likely that motivation will erode with time, and the younger person will not get the training and the opportunities necessary to make a contribution. Probably very few creative persons are motivated by money. On the other hand, very few can be indifferent to it entirely. Money gives relief from worries, from drudgery, and makes more time available for one's real work. At this point we have to say that, even the most creative persons usually contribute only a few, sometimes only one, great new idea the one they were prepared for, the one for which the timing was right.

As is clear by now, to move from personal to cultural creativity one needs talent, training, and enormous dose of good luck. Without access to a domain, and without the support of a field, a person has no chance of recognition. Even though personal creativity may not lead to fame and fortune, it can do something that from the individual's point of view is even more important. Make day to day experience more vivid, more enjoyable, more rewarding.

When we live creatively, boredom is banished and every moment holds the promise of a fresh discovery. The first step toward a more creative life is the cultivation of curiosity and interest, that is, the allocation of attention to things for their own sake. With age most of us lose the sense of wonder, the feeling of awe life becomes routine. Creative individuals are childlike in that their curiosity remains fresh even at ninety years of age, they delight in the strange and the unknown.

We should find out what we like and what we hate about life. It is astonishing how little most people know about their feelings. There are people who cannot even tell if they are ever happy, and if they are, when or where. Their lives pass by as a featureless stream of experience, a string of events barely perceived in a fog of indifference. As opposed to this state of chronic apathy, creative individuals are in very close touch with their emotions. They always know the reason for what they are doing, and they are very sensitive to pain, to boredom, to joy, to interest, and to other emotions. They are very quick to pack up and leave if they are bored and to get involved if they are interested. And because they have practiced this skill for a long time, they need to invest no psychic energy in self-monitoring, they are aware of their inner states without having to become self-conscious. Lastly we can say that it is important to try as many domains as possible. We should start with things we already enjoy and then move to related domains. A certain amount of persistence is necessary. On the other hand, it makes no sense to persevere in an activity that gives no joy, or the promise of it. Eventually we should be able to find one or more domains that fit our interests, things that we enjoy doing and that expand our life.

Summary

As we mentioned above creativity includes number of factors, that some times are even contradictory. If holds, that we should change what we can accept what we cannot and know the difference between those two. We should focus our attention on things that we can change in order to help creative mind to evolve. What we can change in our society is to create opportunities for those that are willing to continuously work on themselves. Only then we can progress and succeed in today's society that is highly competitive. Lastly we can conclude that creativity is inventing, experimenting, growing, taking risks, breaking rules, making mistakes, and at the same time having fun.

Bibliography

1. Csikszentmihalyi, M.: Creativity. Flow and the Psychology of discovery and invention. First Harper Perennial edition. 1996. p.443 ISBN 0-06-092820-4
2. Csikszentmihalyi, M.: Finding flow. The psychology of engagement with everyday life. Publisher, Basic books. 1997. p.169. ISBN 0-465-02411-4.
3. Tolly, E.: The power of now. Publisher, Namaste, Vancouver Canada. 1997. p.191. ISBN 0-9682364-0-5.

Contacts

PaedDr. Ivan Uher, PhD.
Faculty of management PU in Presov
Department of tourism and hotel management
080 78 Prešov, Konštantínova 16
E-mail: uher@unipo.sk

Mgr. Milena Pullmannová Švedová, PhD.
Faculty of management PU in Presov
Department of tourism and hotel management
080 78 Prešov, Konštantínova 16
E-mail: mpullmann@unipo.sk

Health Inequalities and Life Chances in Hungary

Annamária Uzzoli

Tomori Pál University College, Kalocsa, Hungary

Abstract

The aim of this study is to analyse the changes of the Hungarian health inequalities with the indicators of average life expectancy. We can say, the socio-economic status of Hungarian regions can determine the advantageous and the disadvantageous counties by the life chances. The regional differentiation of the Hungarian life chances were studied with the knowledge and methodology of Health Geography.

Key words

health inequalities, life expectancy, health geography

Introduction

The marked deterioration in the state of health of the Hungarian population has been going on since the middle of the 1960s. As the consequence of this process Hungary is lagging behind the countries with more developed health culture. The general health status of the Hungarian people is worse than justified by the level of economic development. The mortality rate of the relatively younger generations has been rising for years and the rate of premature death is extremely high. The death rate of the middle-aged male population stands out by global standards. Besides, Hungary is still one of the countries in leading position in suicides and people with addictions deleterious to health represents a marked rate in the population. The rate of death caused by malignant tumour is the highest in Hungary in Europe. „The mortality situation in Hungary, which had been worsening for decades, developed into an epidemiological crisis by the early 1990s, and it presently hits the whole adult population” (Józan, P. 1991). On the other hand, the negative natural population growth rate, the very low birth rate and the ageing population has also turned to a demographic crisis in Hungary at the beginning of the 1990s (Hablicsek, L. 2000).

While in the advanced capitalist countries recently health preserving, and health conscious lifestyle have become integrated parts of the everyday values, in the countries of Central and Eastern-Europe the processes of the post-socialist transformation led to further deterioration of health. The extremely bad morbidity and mortality situation in Hungary is almost

unparalleled among the post socialist countries, worse situation can only be detected in the former states of the Soviet Union.

The role of Health Geography in the examination of Health Inequalities

Health is such a multi-factorial phenomenon and so a term, that attracts various scientific approaches in its definition and interpretation (Last, J. 2001). On the other hand, health inequalities can be defined as differences in health status or in the distribution of health determinants between different population groups. Moreover health inequalities not only imply socio or spatial inequalities, but also socio-spatial inequalities as a whole (Jones, K. - Moon, G.1987). It is also important to recognise that social inequalities have spatial aspects that reflect the social context of spatial inequalities.

Nowadays health inequality is one of the central concerns of health geography (Kearns, R. 1993). Health geography is a subdiscipline of social geography, which deals with the interaction between people and the environment. Health geography views health from a holistic perspective encompassing society and space, and it conceptualizes the role of place, location and geography in health, well-being and disease (Meade, M. - Earickson, R. 2000). Traditionally, research in health geography spans two distinct avenues: the patterns, causes and spread of disease, and the planning and provision of health services (Dummer, T. 2008).

That we can see, health data for geographical areas are frequently used to demonstrate health inequality. The interpretation of such data on geographical variation in health is often right for tend to down-play the significance of health difference for places (Curtis, S. - Jones, I. 1998).

Trends in life expectancy in Hungary

Life expectancy reflects the overall mortality level of a population. It summarizes the mortality pattern that prevails across all age groups - children and adolescents, adults and the elderly (Wilkinson, R. 1996).

The trend in life expectancy in Hungary has a similar pattern to most other Central and Eastern European countries and shows some characteristic features. The average life expectancy at birth was only 62 years in 1945, but as in all of the European states after the Second World War a downward trend in mortality rate was seen, which led to an increase period in life expectancy at birth (Kowaleski, J.- Starzynska, W. 1996). This favourable tendency was caused by the decreased number of maternal, neonatal and infant mortality,

because developed the preventive strategies and implements for the infectious diseases from the beginning of the 20th century in Europe.

The average life expectancy at birth and its changes continuously depended on the improvement or the worsening of the mortality situation in Hungary in the second half of the 20th century. The remarkable improving in the Hungarian average life expectancy at birth with 5.4-year increase was mainly experienced between 1945-1955, and it could particularly increase during the 1960s and rise over 70 years at the beginning of the 1970s.

Naturally, the result of this positive trend was the advantageous life chances among Hungarian middle-aged population. However the substantial improvement was followed by a marked deterioration of life expectancy at the end of the 1970s, because from 1966 the main health indicators changed for the worse. The deterioration of the Hungarian life expectancy reached its bottom in 1985, but this could not be followed by a period of upswing due to the change of regime and the socio-economic transformation. Nevertheless the role of the transition caused another bottom in 1993. The fall in life expectancy in 1989-1993 has been largely due to a sharp rise in premature mortality of the middle-aged males population. Now the average number of it is 73.2 years, for males is 69.0 years and for females is 77.4 years in Hungary (2007). According to the latest available data, the average life expectancy at birth in Hungary remains among the lowest in European Union.

The biomedical relation explains the disparity of life expectancy by sex, but the gap between Hungarian men and women is one of the widest in Europe. Generally, females have approximately 2-3 years longer life expectancy at every age than males in the world, however this indicator is over 6 years in EU. The average number of the Hungarian males' life expectancy is under 70 years and it is so similar to the formerly republics of the Soviet Union. The difference between male and female life expectancy was the largest in the middle of the 1990s, but now is also extremely wide (8.4 years). Life expectancy is influenced by death rates, so they are even compound indexes for life chances. The adult mortality rate in Hungary is one of the worst among the European countries Due to the very disadvantageous mortality rate of the middle-aged Hungarian males population (Józan, P. 1998) Hungary has a very bad situation in the European continent. Hungarian men's health is mainly poor compared with the countries of European Union. It can be explained by the fact that they are increasingly adopting harmful behaviours, such as smoking, alcoholism, drug-addiction or homicide. So, besides of biomedical relation the social and the cultural factors can also affect the difference of life expectancy by sex.

The spatial structure of life expectancy

The 'Western-Eastern gradient' of the Hungarian economic environment can influence the spatial structure of life expectancy and it shows a similarity of patterns by sex. The concept of socio-economic health differences developed from one of the basic assumption in health geography and refers to the systematic differences in health between people with different positions in the social stratification. Important is that these differences in health are not confined to differences between the highest and the lowest social class (Willems, S. 2005). Health follows a social gradient: the higher the position in the social hierarchy, the lower the risk of ill health and premature death (Marmot, M. - Wilkinson, R. 1999). Over the past decades, evidence of a social gradient in life expectancy has accumulated in Hungary. This widening relative gap is mostly due to a faster decline in mortality among people of higher socio-economic status than the decline among those of lower socio-economic status.

Male's and female's life expectancy is the best in Budapest and Győr-Moson-Sopron county, but is the lowest in Borsod-Abaúj-Zemplén and Szabolcs-Szatmár-Bereg counties. Males in the capital have 4 years higher life expectancy at birth than in males in Szabolcs-Szatmár-Bereg County, and there are 1.5 years gap between these counties' female life expectancy. The life chances and its regional differences within Hungary are influenced by the socio-economic situation of the counties. The relative position to each other has not or hardly changed in the past 15 years. The most advantaged and the worst disadvantaged counties were the same at the beginning of the 1990s and nowadays, too. The most favourable life chances include North-West Transdanubia (Győr-Moson-Sopron, Vas and Veszprém counties) and Budapest, while the most disadvantageous area can be found in North-East Hungary (Szabolcs-Szatmár-Bereg and Borsod-Abaúj-Zemplén counties).

In Transdanubia, with better than average economic indicators, Somogy county stands out as a county with relatively the worst conditions. Now the mortality levels in the Eastern counties are above the average of the whole country. The county with the best indicators in the fairly bad context of the Eastern part of Hungary is Csongrád. Budapest in general has favourable values regarding the health indicators; nevertheless it has a bad reputation for the high rate of deaths caused by malignant neoplasm. This is the main cause for the average life expectancy being a little bit less in the capital than in Győr-Moson-Sopron county for a few years during the last decade.

Summary

Currently Hungarian life expectancies are among the lowest in Europe. Life expectancy in Hungary has been increasing recently but in a geographically uneven distribution. The scale of the health differences within Hungary is surprising. This study which looked inequalities in life expectancy and mortality situation after 1945 found that death rates varied among different areas of the country. These health differences structure is not confined to differences between the poor and the rest of society, but instead run right across society with every level in the social hierarchy having worse health than the one above it. This is the main point that health differences have typical pattern due to the socio-economic spatial position of the Hungarian counties. I also found out what I expected, which is that huge gaps in health exist between Eastern and Western counties according to the regional inequality of Hungary. With the development of capitalism after 1990, the economic and social differences among the regions of Hungary increased. Economic deterioration has become especially intensive in Eastern and Rural Hungary (Szalai, J. 1991).

The mortality trends has remained disadvantageous for North Eastern Hungarian counties (Borsod-Abaúj-Zemplén, Szabolcs-Szatmár-Bereg) and for Southern Transdanubian counties (especially Somogy). Unemployment in Hungary mainly effects these regions.

For that very reason I should say, in methods of analysing of health inequalities through the life expectancy it requires the adoption of both quantitative and qualitative approaches. In the future it will be necessary to define and analyse life expectancy and mortality differentiation in the level of micro-regions and settlements in Hungary, and among the districts of Budapest.

Bibliography

1. Curtis, S. - Jones, I. R. (1998) Is there a place for geography in the analysis of health inequality? *Sociology of Health and Illness* 20, 5, 645-672.
2. Dummer, T. J. B. (2008): Health geography: supporting public health policy and planning. *CMAJ* 178, 9, 1178-1180.
(<http://www.pubmedcentral.nih.gov/articlerender.fcgi?artid=2292766>)
3. Hablicsek, L. (2000): Demographic situation and population policies in Hungary. In: Tomáš Kučera, T. (ed.): *New demographic faces of Europe*. Springer, Berlin-Heidelberg, 163-182.
4. Jones, K. - Moon, G. (1987): *Health, disease and society: A Critical Medical Geography*. Routledge and Kegan Paul Ltd., Portsmouth Polytechnic, London-New York, 376 pp.

5. Józán P. (1991) The epidemiological future. *Health Policy* 19, 19-32.
6. Józán, P. (1998): Some features of mortality in Hungary between 1980 and 1994. *Atlantic Studies on Societies in Change* 85, 111-138.
7. Kearns, R. (1993) Place and health: Towards a reformed Medical Geography. *Professional Geographer* 45, 141.
8. Kowaleski, J. T. - Starzynska, W. (1996): Demographic impacts in Central and Eastern European countries. *International Advances in Economic Research* 2, 3, 334-340.
9. Last, J. M. (2001): *The Dictionary of Epidemiology*. Oxford University Press, New York, 437 pp.
10. Marmot, M. - Wilkinson, R. G. (1999) *Social determinants of health*. Oxford University Press, New York 263 p.
11. Meade, M. - Earickson. R. (2000): *Medical geography*. Guilford Press, New York, 614 pp.
12. Suhányi, L. (2008): European indicators of sustainable development (European common indicators) with application to the Slovak republic. Friedrich Ebert Stiftung. Bratislava. ISBN 978-80-89149-13-1.
13. Suhányiová, A. - Suhányi, L. (2007): *Ekonomické aspekty miezd a odvodov*. PHF-EkF. Košice. ISBN 978-80-225-2343-1.
14. Szalai, J. (1991): Some aspects of the changing situation of women in Hungary. *Journal of Women in Culture and Society*, 15, 152-170.
15. Wilkinson, R. (1996) *Unhealthy societies – The afflictions of inequality*. Routledge, London-New York 247 p.
16. Willems, S. (2005): *The socio-economic gradient in health: a never ending story?* Ph.D. Thesis. Gent, Belgium (www.ac612_en.pdf)

Contact

Annamária Uzzoli

Tomori Pál University College, Kalocsa, Hungary

6300 Kalocsa, Szt. István király u. 2-4., Hungary

E-mail: uzzoli.annamaria@tpfk.hu

6. Econometrics, Quantitative Methods and Informatization in Management

Modelling and Management of Undesired Events in the Logistic System

Robert Bucki

The College of Informatics and Management in Bielsko-Biala

Zbigniew Frąckiewicz

Szczecin University of Technology

Abstract

The paper highlights the problem of detecting events in the predefined space structure. Events come into being in a stochastic way. An event is detected in an elementary space only when an unwanted process takes place in it for a certain period of time. Such disturbances make the logistic system less reliable and lead to its deteriorating. Events are calculated at the given level of the structure and if their number exceeds a certain value, the required course of action is implemented immediately to prevent damage in endangered elementary spaces. Moreover, events are summed up in the whole logistic space in order to inform the system control to take an assumed action. The heuristic approach introduced in the paper hereby can be used while examining outer influences on the environment between the foam polystyrene blocks used to insulate buildings and walls of the building itself.

Key words

detecting events, system control, logistic system

Introduction

Mathematical modelling of allocation processes is an effective tool to support decision making [2, 4]. Process and value modelling allows system designers to simplify assumed models [13]. The experimental approach, with its emphasis on simulation-based solution seeking, seems to be the only way of finding an acceptable procedure [6, 7]. The ability to model and simulate abstract concepts in the computer is truly a remarkable tool and it is worth exploring its usage to augment the teaching of large-scale building projects [9]. Some concepts which have been verified by this kind of approach deliver interesting alternations to the model after carrying out simulation experiments[1,3].Models and, subsequently, simulators are built in order to

optimize the either production processes [5] or service ones [8, 10]. Moreover, they can be used while securing living environment [11].

Detecting and managing risk processes in building insulation is a very important issue which still requires a lot of attention. Intensifying the process of insulating buildings could lead to stimulating this branch of the building sector which deals with the thermal securing of building objects. At the same time, the sector producing elements of thermal isolation and other elements or materials necessary to perform isolation process would be supported with a growing number of orders which will stimulate the economy especially in the time of crisis. The impulse to insulate buildings (houses and blocks of flats of different sizes) is given by the constant growth of energy prices in recent years. Moreover, it is necessary to add that practically all building objects assigned to accommodate people should be insulated on the condition that they will be inhabited by a relatively long period of time. The main argument in favour of building insulation is lowering the use of heating energy. There are other reasons such as the necessity to remove wall seepage caused by rain (gaps and cracks) which penetrates through joining of the building plates, lowering CO₂ emission and many others.

According to the existing law in this field, building objects must meet the basic requirements of the building law norms. In addition to this, hygiene and health protection norms must be met by every building object. They cannot be in conflict with environmental regulations either. The object should be built in the way which will not threaten its inhabitants and their neighbours because of a sudden appearance of moisture in the building construction as well as on its inner surfaces.

Insulating buildings is represented by the whole range of different processes. Some of them are treated as high risk processes such as physical, technical, transport, financial and psychological ones. Only few of them are discussed below. The first process consists in excessive concentration of water vapour inside the insulated building, mainly in kitchens, bathrooms, swimming pools, etc. Before insulating begins, old windows are replaced with the new ones and the need to save heating energy results in improper ventilating of rooms which leads to the higher degree of moistness in the inner surfaces of cooled walls in a hermetically closed room. It can be proved by lower and higher forms of mould fungi.

Such organisms occur in rooms designed for permanent dwelling which is not allowed. Fungi and moulds lead to many diseases including allergies, respiratory diseases, skin diseases, etc. The process is of physical-technical type, however we can observe other elements influencing it. One of them is

the financial-psychological issue. Persons with low incomes turn off the heating system and block the windows firmly which results in moisture occurrence in rooms and growing mould.

The next high risk process is connected with permeability of insulated walls of an object and the possibility of excessive concentration of water vapour in the gap between an insulated wall and the foam polystyrene used for its insulation. Generally, this gap has the size of 0,5 – 4,0 cm. The condensation of water vapour can have a harmful effect on the inner microclimate. The current state of introducing insulating systems allows to assume that the object must remain in the state when there are bound molecules of water between a wall and the foam polystyrene. These molecules are subjected to different temperature influences, which means that their state of aggregation can be often changed (water vapour, water and ice).

The next process is the physical one connected with frost penetration cycles of bound molecules of water in water-filled microspores of the building material. The temperature drop and freezing cause buckling stress in building material pores and disarrange their strength. However, it is not an immediate process and microscopic changes are not observed at once but only after many frost penetration cycles. From a technical point of view freeze resistance depends on the porosity expressed by the absorbability. It is assumed that the lower absorbability represents the higher resistance to repeatable freezing.

There is also a need to introduce an energy building certification as a means for energy saving on the basis of the models of heat and moisture transfer. The models show that an energy classification of a building may be affected by the incorrect identification of energy loss in the moist material because this energy loss is higher than in the dry material. Dry material properties are usually and incorrectly used in engineering calculations during the building energy classification [12].

The high risk processes discussed above (mould forming, low permeability, frost penetration cycles) are probably not the only ones which can come into being in an insulated building or especially in the gaps between the outside surface of the wall and the insulating material (foam polystyrene). These processes have the common features: moisture and temperature.

To visualize the whole matter it is expected to transform the potential building/block of flats to the synthetic object form which will enable us to carry out simulation experiments aiming at determining optimal values of factors influencing the long-term living in the building. Simulation searching for satisfactory solutions which determine points of the biggest risk of forming dangerous zones for people living there will be carried out after putting forward a

proper mathematical model. Such zones can grow all the time and disappear (or be eliminated) depending on changing states (agents determining the change of state play an essential role here).

General assumptions

Let us introduce the structure matrix of a logistic system at the z th level:

$$E_z = [e_{x,y,z}], \quad x = 1, \dots, X$$

$$y = 1, \dots, Y$$

$$z = 1, \dots, Z$$

where: $e_{x,y,z} = \begin{cases} 1 & \text{if the elementary space } e_{x,y,z} \text{ remains active,} \\ 0 & \text{otherwise.} \end{cases}$

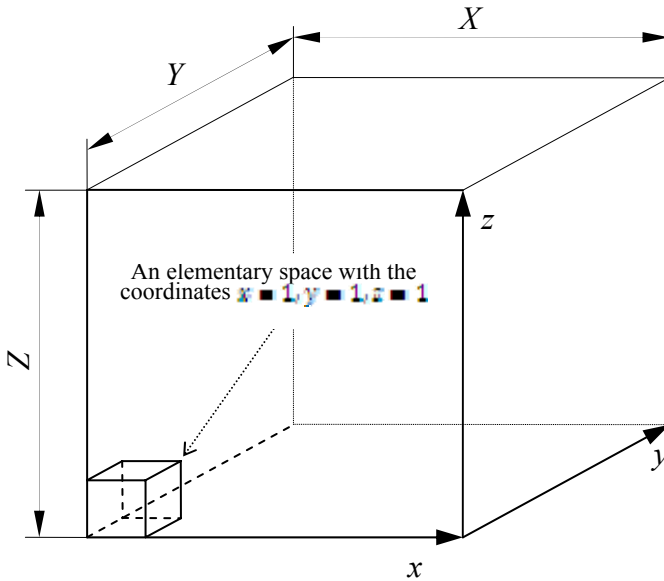


Fig. 1: The general view of an elementary space $e_{x,y,z}$ in the system

If a phenomena lasts in the elementary space $e_{x,y,z}$ for a certain period of time, then $e_{x,y,z} = 1$. There can be only one event detected and subsequently analysed in each elementary space $e_{x,y,z}$.

The state can be discussed from the point of view of the z th level state at the k th stage where $k = 0, 1, \dots, K$ or the logistic system state at the k 'th stage where $k' = 0, 1, \dots, K'$.

Elementary space control

Let us assume that there is a need to take an appropriate action in order to prevent unwanted events from coming into being. If there is no unwanted activity in the elementary space $e_{x,y,z}$ no action is required. If an unwanted process is taking place within the period τ_u , $u = 0, 1, \dots, U$, then the action a_u is required to stop or limit at least unwanted effects which may take place in it. If an unwanted process is taking place for more than the period of time τ_U , then the critical action $a_{U(crit)}$ must be triggered.

Let us introduce the vector of actions in an elementary space $e_{x,y,z}$:

$$A = [a_u], u = 0, 1, \dots, U, U(crit)$$

where: a_u - the u th action to be taken according to the length of the event duration in the considered elementary space $e_{x,y,z}$.

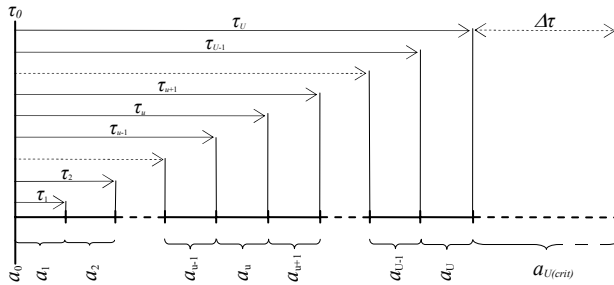


Fig. 2: The dependencies of actions to be taken in elementary spaces on times

Let $s_{x,y,z}(\tau_u)$ be the state of an elementary space $e_{x,y,z}$, $u = 0, 1, \dots, U$. The state of an elementary space is expressed in the predefined time unit. An appropriate action a_u is adjusted to the elementary space $e_{x,y,z}$ which is shown as below:

$$s_{x,y,z}(\tau_0) \rightarrow a_0$$

$$s_{x,y,z}(\tau_1) \rightarrow a_1$$

.....

$$s_{x,y,z}(\tau_u) \rightarrow a_u$$

.....

$$s_{x,y,z}(\tau_{U-1}) \rightarrow a_{U-1}$$

$$s_{x,y,z}(\tau_U) \rightarrow a_U$$

$$s_{x,y,z}(\tau_U + \Delta\tau) \rightarrow a_{U(crit)}$$

Now, for simplicity reasons, we decide that the analysis of the elementary space $e_{x,y,z}$ will be carried out only on the condition that:

$$s_{x,y,z}(\tau_u = \tau_0) \rightarrow a_0$$

$$s_{x,y,z}(\tau_0 < \tau_u < \tau_U) \rightarrow a_U$$

$$s_{x,y,z}(\tau_u \geq \tau_U + \Delta\tau) \rightarrow a_{U(crit)}$$

Control at the z th level

Let us introduce the matrix of state at the z th level of the logistic system:

$$S_z^k = [s_{x,y,z}^k], \quad k = 0, 1, \dots, K$$

$$\text{where: } s_{x,y,z}^k = \begin{cases} 1 & \text{if there is an event detected in the elementary space} \\ & e_{x,y,z} \text{ at the given } z\text{th level,} \\ 0 & \text{if an event is not detected or disappears from the} \\ & \text{elementary space } e_{x,y,z} \text{ at the given } z\text{th level.} \end{cases}$$

Let γ_z^k be the sum of all events at the z th level in the k th state:

$$\gamma_z^k = \sum_{\substack{1 \leq x \leq X \\ 1 \leq y \leq Y}} s_{x,y,z}^k, \quad z = 1, \dots, Z$$

Let φ_z be the limit number of allowable events at the z th level, $z = 1, \dots, Z$, where:

$$1 \leq \varphi_z < \sum_{\substack{1 \leq x \leq X \\ 1 \leq y \leq Y}} e_{x,y,z}$$

Let $B_{\varphi_z} = [b_{\varphi_z}]$ be the vector of actions for the z th level with the elements as follows: $b_0, b_{\varphi_z}, b_{\Phi_z}$ where:

b_0 - no action is taken for the z th level,

b_{φ_z} - the defined action for the z th level,

b_{Φ_z} - the critical action taken at the z th level.

Now we can propose the following equations:

$$\varphi_z \geq \gamma_z^k \rightarrow b_0$$

$$\varphi_z < \gamma_z^k < \sum_{\substack{1 \leq x \leq X \\ 1 \leq y \leq Y}} e_{x,y,z} \rightarrow b_{\varphi_z}$$

$$\gamma_z^k = \sum_{\substack{1 \leq x \leq X \\ 1 \leq y \leq Y}} e_{x,y,z} \rightarrow b_{\Phi_z}$$

At the beginning of the detection process the logistic system at the z th level is in the state $S_z^{k=0}$. The state at the z th level changes only when either any new event is detected in the system at this level or an event is no longer detected at the z th level which can be written as follows:

$$S_z^{k=0} \rightarrow S_z^{k=1} \rightarrow \dots$$

at the same time: $\gamma_z^{k=0} \neq \gamma_z^{k=1}$

On the basis of the above we can write an example to illustrate the problem:

$$\gamma_z^0 = 0 \rightarrow \gamma_z^1 = 1$$

Logistic system control

Let us introduce the vector of state of the whole logistic system:

$$\Gamma^{k'} = \left[\gamma_z^{k'} \right], \quad k' = 0, 1, \dots, K'$$

$$z = 1, \dots, Z$$

where: $\gamma_z^{k'}$ - the total number of events in the logistic system at the k' -th stage at the z th level.

The state k' changes if there is at least one new event detected at any level z , $z = 1, \dots, Z$ in the logistic system or at least one event is not detected any more at any level z of the logistic system.

Let us introduce the limit number of allowable events $\beta_{X,Y,Z}$ in the logistic system $E_{X,Y,Z}$ where:

$$1 \leq \beta_{X,Y,Z} < Z \cdot \sum_{\substack{1 \leq x \leq X \\ 1 \leq y \leq Y \\ 1 \leq z \leq Z}} e_{x,y,z}.$$

Let us introduce the matrix of actions for the logistic system:

$$B_{X,Y,Z} = \left[b_{\omega_{X,Y,Z}} \right],$$

where the elements of this matrix are defined as follows:

b_0 - no action is taken for the z th level, $z = 1, \dots, Z$

b_{ω_z} - the defined action for the z th level, $z = 1, \dots, Z$

b_{Ω_z} - the critical action taken at the z th level, $z = 1, \dots, Z$

The matrix of actions of the logistic system is shown in a matrix below:

$$B_{X,Y,Z} = \begin{bmatrix} b_0 & b_{\omega_Z} & b_{\Omega_Z} \\ \dots & \dots & \dots \\ b_0 & b_{\omega_z} & b_{\Omega_z} \\ \dots & \dots & \dots \\ b_0 & b_{\omega_1} & b_{\Omega_1} \end{bmatrix}$$

Let us introduce the vector of actions for the logistic system:

$$B' = [b_0, b_{\omega_{X,Y,Z}}, b_{\Omega_{X,Y,Z}}]$$

The diagram in Fig. 3 represents the control of the logistic system. As emphasized, there must be a decision made whether on not to start another course of action if the critical decision $b_{\Omega_{X,Y,Z}}$ is to be made.

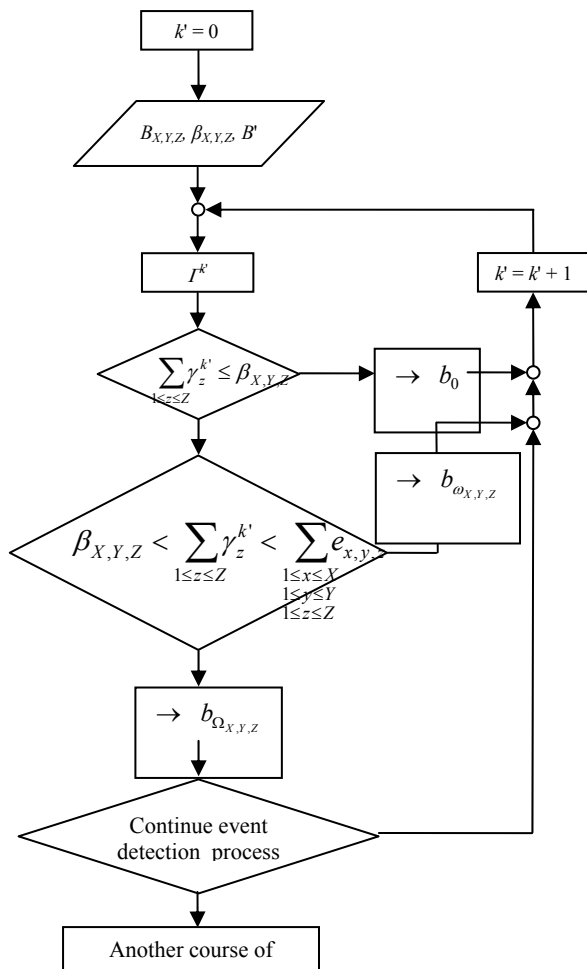


Fig. 3: The block diagram of the logistic system control

The following equations represent dependencies in the logistic system:

$$\sum_{1 \leq z \leq Z} \gamma_z^{k'} \leq \beta_{X,Y,Z} \rightarrow b_0$$

$$\beta_{X,Y,Z} < \sum_{1 \leq z \leq Z} \gamma_z^{k'} < \sum_{\substack{1 \leq x \leq X \\ 1 \leq y \leq Y \\ 1 \leq z \leq Z}} e_{x,y,z} \rightarrow b_{\omega_{X,Y,Z}}$$

$$\sum_{\substack{1 \leq x \leq X \\ 1 \leq y \leq Y \\ 1 \leq z \leq Z}} e_{x,y,z} = \sum_{1 \leq z \leq Z} \gamma_z^{k'} \rightarrow b_{\Omega_{X,Y,Z}}$$

where: b_0 - no action is taken in the logistic system,
 $b_{\omega_{X,Y,Z}}$ - the defined action in the logistic system,
 $b_{\Omega_{X,Y,Z}}$ - the critical action taken in the logistic system.

Conclusions

In case of determining a building object to be insulated, securing the required material delivery becomes the priority to perform the insulating process. This means modelling delivery routes to minimize transport times (depending on the locality of the manufacturer of insulation materials or the storage place of the required ready insulating products). The next issue which should be thoroughly analyzed is the necessity to present the storing model for insulating materials. The main goal remains to minimize the time of order realization of the building insulation process.

Summing up, the building insulating process is a highly complex one beginning with the manufacturing stage, followed by the stages of distribution, transport, storing and finally coming to the insulating stage itself. Each stage may generate potential barriers which can be one of the factors delaying starting realization of the building insulation process or may even lead to the wrong insulating effect.

The model presented in this paper focuses mainly on detecting high risk processes occurring in active structures. These processes are treated as stochastic events. They are meant to threaten the system as each process is believed to be able to destroy it. It is taken for granted that eliminating negative influences will have a rescuing effect on the system. The model can serve as a universal one. It can be used for detecting negative processes caused by moisture. However, after installing special sensors in elementary

spaces, other high risk processes can be detected and a special action can be taken to block them.

Summary

The article describes the problem of synthetic environment modelling and shows dependencies in it. The discussed environment enables us to analyze states detected in the gaps between the foam foam polystyrene blocks and the outside layer of the walls of insulated buildings. The model presents the control method of a single elementary space, control of an optional level consisting of elementary spaces and, finally, control of the whole modelled system. The logistic system represented by this model is highly complex and must be controlled by the specially developed software. The structure matrix is given at each level of the logistic system. This structure is not due to be modified throughout the examining period. The state of each elementary space is available on the basis of the length of an undesired event taking place in it. It is assumed that an action must be taken at the right moment to avoid unwanted consequences. However, such an action is to be taken in an elementary space so the most important issue is to detect an unwanted event by means of a special sensor designed to detect moisture in semi-closed spaces. The vector of actions for a single elementary space is given and, consequently, is brought to its simplified form. The vector of state is formulated for each level of the system along with the vector of actions. The vector of state for the logistic system is given. It depends on the state (the number of events) of each level. Any change of the state of the elementary space modifies the state of the logistic system. The matrix of actions of the system is introduced. The limited number of actions of each level as well as these in the logistic system are set for control reasons.

The work was supported by the grant APVV SK-PL-0031-09.

Bibliography

1. Bucki R., Minimizing Economic Losses of the Rolling Line, Vedecká konferencia doktorandov a mladých vedeckých pracovníkov: Ekónómia a proces *poznávania*, *Fakulta manažmentu, Prešovská univerzita v Prešove*, 16. november 2009, pp. 62-67, ISBN 978-80-555-0141-3.
2. Bucki R., Marecki F., Allocation of Machines in Agricultural Works, *Acta academica karviniensia, vědecký recenzovaný časopis, Slezská univerzita v Opavě, Obchodně podnikatelská fakulta v Karviné*, č. 2, roč. 2009, s. 32-40, ISSN 1212-415X.

3. Bucki R., Control of Transport Processes in the Storing System for Identical Elements, Modelling and Information Technologies, Scientific Papers of the Institute of Modelling Problems in Energetics, National Academy of Sciences of Ukraine, No. 53, Kyiv, 2009, pp. 159-167.
4. Bucki R., Mathematical Modelling of Allocation Processes as an Effective Tool to Support Decision Making, Information and Telecommunication Systems, Polish Information Processing Society, Academy of Computer Science and Management, Bielsko-Biala, Vol. 17, 2008, str. 7 – 15, ISBN 9788360716601.
5. Bucki R., Thorough Analysis of the Technological Case Control, Management & Informatics, Network Integrators Associates, Parkland, Florida, Vol. 1, No. 1, 2007, pp. 68-112, ISSN 1939-4187.
6. Bucki R., Marecki F., Digital Simulation of Discrete Processes, Network Integrators Associates, Parkland, Florida, 2006, p. 162, ISBN 9780978860684.
7. Bucki R., Marecki F., Modelling and Simulation, Network Integrators Associates, Parkland, Florida, 2005, p. 144, ISBN 9788389105943.
8. Frąckiewicz Z., Korusiewicz P.: Symulator komputerowy obsługi statków w porcie. Informatyczne wspomaganie procesów logistycznych. Roz. XXXV, ss. 381-395, WNT, Warszawa 2004.
9. Frąckiewicz Z., Marecki J.: Zastosowanie sztucznej inteligencji do sterowania obsługą statków w porcie. Strategie informatyzacji i zarządzania wiedzą. Roz. XXX, ss. 453-466. WNT Warszawa 2004.
10. Frąckiewicz Z., Marecki F.: Ekonomické kritérium modelování obsluhy lodí v přístavu. Vedecká konferencia doktorandov a mladých vedeckých pracovníkov: Ekonomía a proces poznávania, *Fakulta manažmentu, Prešovská univerzita v Prešove*, 16. november 2009, pp. 74-80, ISBN 978-80-555-0141-3.
11. Jašek R., Informační podpora krizovému řízení, In: Безпека життєдіяльності людини як умова сталого розвитку сучасного суспільства, Основа, Київ 2005, s. 340 – 344, ISBN 966-699-131-4.
12. Pavlušová E., Pavluš M., Sarhadov I., Slezák J., Energy Certification of Buildings and Models of Heat and Moisture Transfer in Building Materials, Journal of Management and Business: Research and Practice, Univeristy of Prešov, Prešov, 2010.
13. Vymětal D., Suchánek P., Procesní a hodnotové modelování. První mezinárodní elektronická konference pro vědu, výzkum a praxi, Firemní procesy a požadavky trhů, MEK 2010, 17. - 23. května 2010, ISBN 80-86703-34-7.

Contacts

Robert Bucki
 Wyższa Szkoła Informatyki i Zarządzania
 ul. Legionów 81, 43-300 Bielsko-Biala, Pol'sko
 E-mail: rbucki@wsi.edu.pl

Zbigniew Frąckiewicz
Wydział Elektryczny,
Zachodniopomorski Uniwersytet Technologiczny
ul. Sikorskiego 37, 70-313 Szczecin, Pol'sko
E-mail: z.frackiewicz@wp.pl

Neuronetwork Approach to the Effective Administrative Decision Making on the Machinery-Producing Industry Enterprises

Nina Drokina

Donetsk institute of tourist business

Abstract

The problems of development of machinery-producing industry enterprises in conditions of surmounting the crisis and innovative development of Ukrainian economy are examined.

The necessity of the neuron networks theory application is grounded for a development of Ukrainian machinery-producing industry. Neuron networks are considered as a method that combines advantages of factographic and expert prognostication methods and the most adequate prognostication instrument of the future state of the enterprise. The algorithm of the designed neuron network as a system of economic indicators is developed for the machinery-producing industry enterprises.

Key words

Neuronetwork, administrative, industry enterprises

A world economic crisis broke the growth of the Ukrainian machinery-producing industry that was developing during the last nine years, a production in this branch fell away almost twofold. A slump in the machinery-producing industry rendered a serious influence on the general economic indicators of our country, in fact there are 13,3 percents of all industrial production on this industry. The acceleration of the machinery-producing industry development is very important for an innovative development of Ukraine.

The use of the machinery-producing industry enterprise in economic activity is offered from this point of view. The effective management of the machinery-producing industry enterprise in the economic and financial crisis conditions requires a new innovative approach to the planning of the enterprise activity, in particular, to the acceptance of administrative decisions for the estimations of the future financial state of an enterprise. A forming of a new planning approach that combines the base method of economic analysis

and innovative prognostication method allows to decide the indicated task in behalf of administrative and investment decisions support.

A term «neural networks» was formed in the middle of 50th of XX century. Basic results in this area are related to the names of D. Khebb, U. Makkalokh, M. Minskiy, F. Rozenblat [1-6].

Artificial neural networks (ANN) are built on organization and their biological analogues functioning principles. They are able to decide a wide circle of patterns recognition, authentication, prognostication, optimization, management difficult objects tasks. ANN is a system of united and interactive between themselves simple processors (artificial neurons). A neuron is component part of neuron network. Its structure is presented in a picture 1.

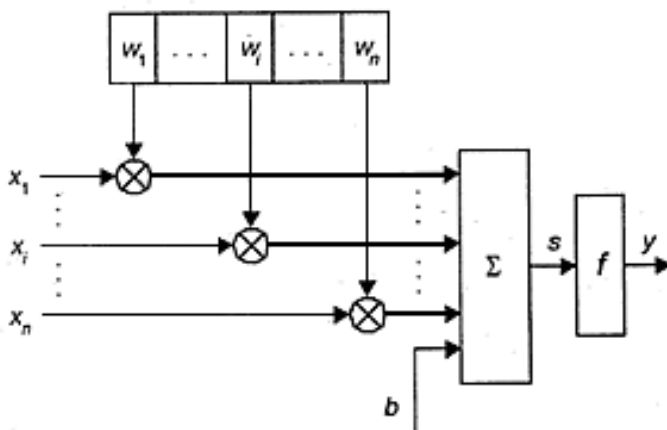


Fig. 1. Artificial neuron structure

It consists of elements of three types: a multiplier (synopsis), a summator and a nonlinear transformer. Synapsises realizes a connection between neurons, multiply an input signal by a number characterizing a connection force (a synopsis weight). A summator makes an addition of signals that flow to synopsis connections from other neurons and external input signals. A nonlinear transformer realizes the nonlinear function of one argument – a summator exit. This function is a function of activation or neuron transmission function.

A neuron realizes the scalar function of vectorial argument. A mathematical model of neuron is:

$$s = \sum_{i=1}^n w_i x_i + b \quad (1.1)$$

$$y = f(s) \quad (1.2)$$

where w_i is a synapsis weight , $i = 1 \dots n$;

b is a offset value(bias);

s is a mix (sum);

x_i is an input vector component (input signal), $x_i = 1 \dots n$;

y is a neuron output signal;

n is a number of neuron entrances;

f is a nonlinear transformation (activation function).

In common case an input signal, weighing coefficients and a displacement can take on actual values and in many practical tasks - only some fixed values. An output (y) is determined by a type of an activation function and can be both actual and whole.

Synaptic connections with positive scales are excitant, with negative scales - braking.

The described calculable element can be considered as a simplified mathematical model of biological neurons. To underline the difference between biological and artificial neurons, the second ones sometimes are named neuron alike elements or formal neurons.

To an input signal (s) a nonlinear transformer answers with the output signal of $f(s)$, which is an output at a neuron. The examples of activation functions are presented in table 1. and in a pic. 2.

Функции активации нейронов		
Название	Формула	Область значений
Линейная	$f(s) = k s$	$(-\infty, \infty)$
Полулинейная	$f(s) = \begin{cases} k s, & s > 0, \\ 0, & s \leq 0 \end{cases}$	$(0, \infty)$
Логистическая (сигмоидальная)	$f(s) = \frac{1}{1 + e^{-as}}$	$(0, 1)$
Гиперболический тангенс (сигмоидальная)	$f(s) = \frac{e^{as} - e^{-as}}{e^{as} + e^{-as}}$	$(-1, 1)$
Экспоненциальная	$f(s) = e^{-as}$	$(0, \infty)$
Синусоидальная	$f(s) = \sin(s)$	$(-1, 1)$
Сигмоидальная (рациональная)	$f(s) = \frac{s}{a + |s|}$	$(-1, 1)$
Шаговая (линейная с насыщением)	$f(s) = \begin{cases} -1, & s \leq -1, \\ s, & -1 < s < 1, \\ 1, & s \geq 1 \end{cases}$	$(-1, 1)$
Пороговая	$f(s) = \begin{cases} 0, & s < 0, \\ 1, & s \geq 0 \end{cases}$	$(0, 1)$
Модульная	$f(s) = |s|$	$(0, \infty)$
Знаковая (сигнатурная)	$f(s) = \begin{cases} 1, & s > 0, \\ -1, & s \leq 0 \end{cases}$	$(-1, 1)$
Квадратичная	$f(s) = s^2$	$(0, \infty)$

Table 1

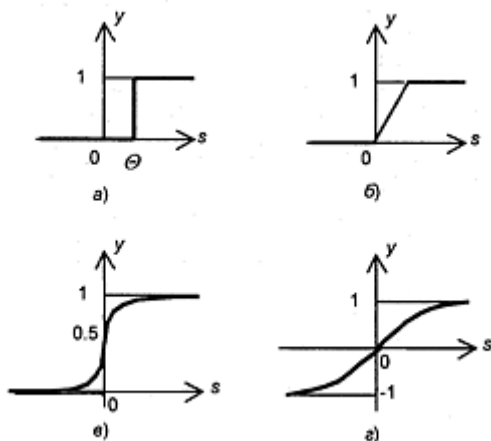


Fig. 2. Examples of activation functions а is a unit stem function; б is a linear step (hysteresis); в - sigmoid (logistic function); г - sigmoid (hyperbolic tangent)

A nonlinear function of activation with a satiation, so-called logistic function or sigmoid (function of S- kind) is the most widespread:

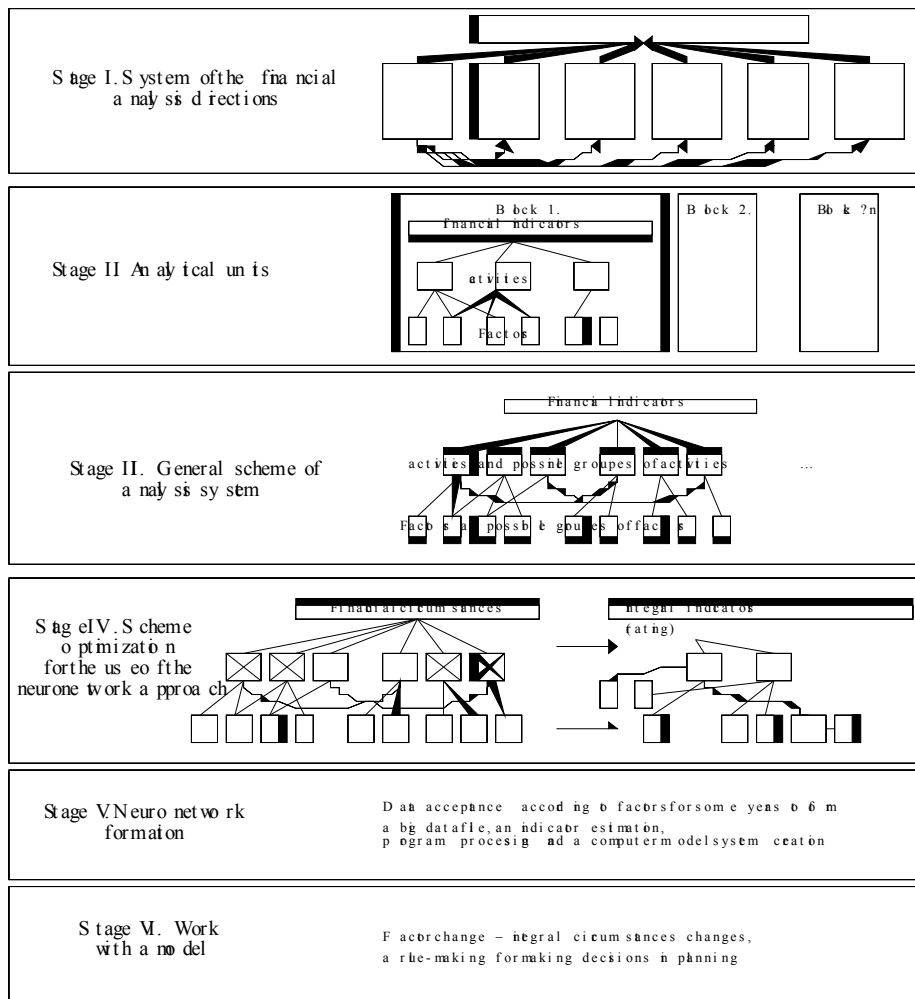
$$f(s) = 1 / (1 + e^{-as}) \quad (1.3)$$

With the diminishing of a a sigmoid becomes more declivous in a limit at $a = 0$ degenerating in a horizontal line at the level of 0,5, with the increase of a a sigmoid approaches to the type of a unit stem function with a step 0. From this expression it is evident for sigmoid, that the neuron output value is in a range (0, 1). One of valuable properties of sigmoid function is a simple expression for its derivate whose application will be considered in future:

$$f'(s) = f(s)[1 - f(s)] \quad (1.4)$$

It should be mentioned that sigmoid function is differentiable on all abscissa that is used in some teaching algorithms. In addition it has the property to strengthen weak signals better, than strong and prevents a satiation from strong signals, because they correspond the areas of arguments where sigmoid has a declivous inclination.

Neuron networks as a method related to the group of combined with advantages of factographic and expert methods of prognostics are presented as the most adequate prognostics instrument of the future state of the enterprise in the reform conditions. A designed neuronetwork is the system of economic indicators for the machinery-producing industry enterprise. This system is easy enough to be adapted for a concrete industry and enterprise by means of a few additional blocks introduction in a neuronetwork.



??? 3 Scheme of the enterprise financial state analysis using neuron network approach

Realization of this approach is realized stage-by-stage (pic. 3). On the first stage the analysis of the financial state is presented as a system of a few directions: analysis of the financial data reporting, financial stability, liquidity, financial management, solvency, profitability.

On the second stage each of these directions are presented as analytical blocks which indexes and factors are determined, intercommunications and character of the indexes influence are seen on the financial state of the enterprise or through the influence on other block.

On the third stage separate blocks are «sewn» together in the single analysis system. Actually, the system that is based on the traditional method of the enterprise financial state estimation turns out on this stage, which is used for the estimation of current status and rule-making for the future, irrespective to the of a particular branch orientation.

On the fourth stage the analysis system is optimized for the use of a neuronetwork approach on two directions: 1) determination of the predicted value. A search of all indexes that influence on the enterprise financial state leads to the imposition of errors of indexes prognosis on each other and, as a result, a decline of the research value. An integral indicator (rating) is suggested to be formed with the participation of the most meaningful indexes of every block whose selection can be made by the method of chain substitutions or expert estimation. Thus, a «faltung» of the analysis system to a few determining indicators takes place, factors that influence on them and integral indicator (rating) on the output of neuronetwork; 2) adaptation of the analysis system for the concrete enterprise of the concrete industry, that is expressed in the appearance of new factors, influencing on certain indicators that are bound in one or a few additional blocks.

On the fifth stage a data file according to the factors for some years is collected, a construction of neuron network take place, therefore a predictive model of the enterprise estimating the financial state in the future is created.

On the sixth stage a work with a model is conducted which supposes a consideration of factors changes variants for the receipt of the best values of the integral indicator (rating) and a support of administrative decisions in the moment of the enterprise stable financial state providing in the future.

Bibliography

1. Hebb, D.O. (1949). The organization of behavior. New York: Wiley
2. Hebb, D.O. (1961). "Distinctive features of learning in the higher animal". in J. F. Delafresnaye (Ed.). Brain Mechanisms and Learning. London: Oxford University Press.
3. Hebb, D.O.; and Penfield, W. (1940). "Human behaviour after extensive bilateral removal from the frontal lobes". Archives of Neurology and Psychiatry 44: 421–436.
4. McCulloch, W. and Pitts, W. (1943). A logical calculus of the ideas immanent in nervous activity. Bulletin of Mathematical Biophysics, 7:115 - 133.

5. Minsky, M. & Papert, S. (1969). An Introduction to Computational Geometry. MIT Press.
6. Rosenblatt, F. (1962). Principles of Neurodynamics. Spartan Books.

Contact

Nina Drokina
Doneck Institut of Tourist Business
Ukraine, 83114, Donetsk, Universitetskaya str., 94
E-mail: nin-drokina@rambler.ru

Quantitative Methods for Determination of Energy Loss and Moisture Quantity in the Spa Buildings

Erika Pavlušová

ENERGO-CT s.r.o., Košice, Slovakia

Miron Pavluš – Tatiana Polláková

University of Prešov in Prešov, Faculty of Management

Ibrohim Sarhadov

Joint institute for nuclear research, Dubna, Russia

Abstract

The spa buildings are largely loaded by moisture because they operate with equipment that produce a high content of moisture. In these objects the moisture causes a formation of molds and also a higher energy loss. In this article a numerical method for calculation of moisture quantity in the building materials is suggested. The method is based on the recently developed mathematical model of heat and moisture transfer in the porous space. The moisture quantity (water and water vapor) is determined as a sum of values of corresponding integrals.

Key words

moisture, energy loss, porous environment, environmental management, spa industry.

Heat technical properties of building materials

The building ability for its resistance to moisture and for its retention a heat depends mainly on the technical parameters of building materials. Such materials are situated below the ground in foundation, in floors, in district walls, in roofs, etc. The district walls of a building form the largest area of the total surface of the building. At present different types of aerated concrete or ceramic preforms, polystyrene, mineral wools, different mortar mixes etc. are used for production of district walls. All these materials are porous. Porosity of a material is defined as a ratio between the pores volume V_p of a considered material sample and the total volume V of the sample. So, the

porosity Π can be calculated as $\Pi = V_p / V$. The mortar mixtures, for example, have very low porosity in comparison with an aerated concrete. Thermal conductivity λ , thermal capacity c , and density ρ of a material are other important physical properties of the material. Applied thermal engineering calculations and assessments are based on assumption that the material is in dry state.

In reality however, a stall of district walls near foundation always contains a quantity of moisture that the stall receives from subfoundation but also from air by means of the atmospheric changes and also by masonry technology itself. Beside the spa buildings, a permanent increased level of moisture can be found in laundromats, kitchens, carwash, swimming pools and so on. The physical characteristics of a moist building material are changing depending on the moisture quantity. That is why a research study in the area of moist building materials is important especially in connection with the heat transfer.

Experimental method for determination of moisture quantity

The study [1] submits so called the neutron radiography method as a tool for the non-destructive detection of the presence of water in building materials. In neutron radiography, a neutron beam is recorded on a two dimensional sensitive detector after penetrating a sample. The beam intensity is the same for predetermined time moments. A neutron beam intensity is gradually decreasing by passing through the porous material. If a sample is wet, then neutron beam is significantly low and only small fraction of neutrons can reach detector (Fig. 1). In this case detector is recording very low signal.

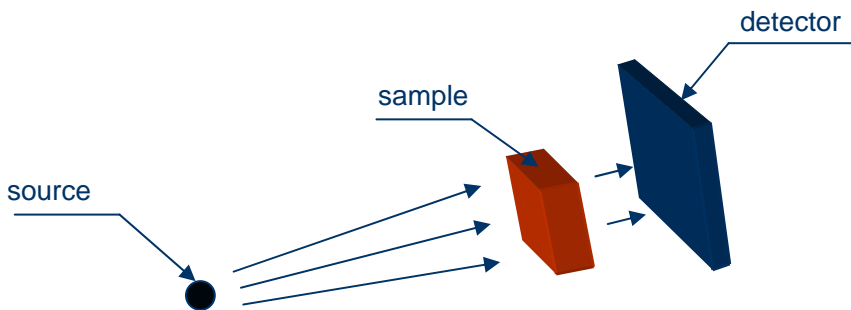


Fig. 1 Schematic depiction of neutron radiography

When conditions change and sample is drying more and more neutrons can pass trough the sample and the level of signal intensity is higher. The main result of the study [1] is shown in Fig. 2. The graphical illustration on the left side of Fig. 2 depicts the signals distribution along the 9 cm sample width for the 1., 2., 7., 14. day and for the 21 st day when the sample was irradiated by the neutron beam.

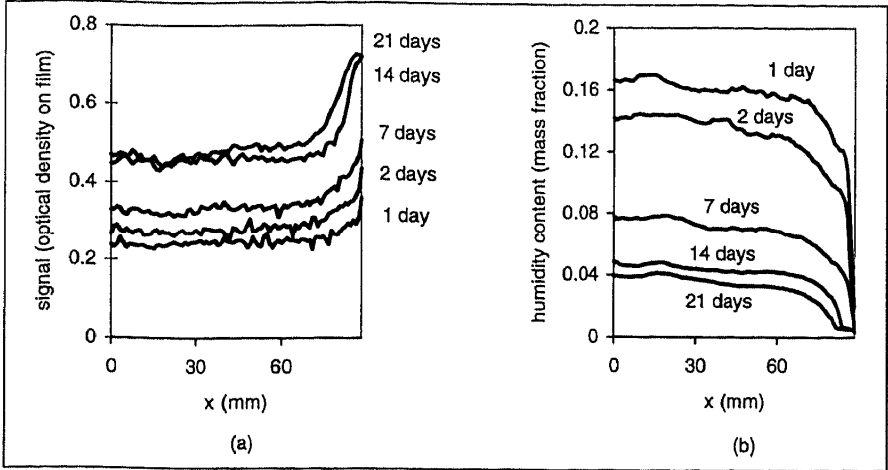


Fig. 2 Distribution of signals and content of moisture in an aerated concrete sample

The graphical illustration on the right side of Fig. 2 corresponds to quantity of moisture content at the same time moments. Neutron radiography as well as Neutron beam magnetic resonance [2], are efficient investigation tools since both provide a valuable information about the moisture distribution in the selected direction for different moments in time. It was not possible to obtain such reliable results by the classical gravimetric analysis [3].

Our study is continuation of findings presented by Swiss researchers in [1]. We have constructed a new more appropriate diffusion model of moisture transfer in the porous material which enables us to determine the moisture transfer coefficient, a factor that describes moisture diffusion in considered material.

Mathematical model of moisture transfer in porous material

In our study [4] we proposed the following mathematical model

$$\frac{\partial w}{\partial t} = \frac{\partial}{\partial x} \left(D(w, t) \frac{\partial w}{\partial x} \right), \quad t > 0, \quad 0 < x < 1, (1)$$

with initial

$$w(x, 0) = w_0(x), \quad 0 < x < 1, (2)$$

and boundary conditions

$$\frac{\partial w}{\partial x}(0, t) = 0, \quad -D(w(1, t), t) \frac{\partial w}{\partial x}(1, t) = B[w(1, t) - v_0], \quad t > 0 (3)$$

where $w_0(x)$ is an initial moisture distribution in a sample of a porous material obtained from measurement on the first day (Fig. 2. on the right); B is the transfer coefficient of moisture between the sample and the outside atmosphere; v_0 is the lowest moisture content value obtained from Fig. 2 on the right side. The main task is to determine not only quantitative level of moisture $w(x, t)$ for particular x and t but also a transfer coefficient of moisture $D(w, t)$. We searched for solution $w(x, t)$ that would be as close as possible to experimental measurement $w_e(x, t)$, i.e. by minimization of a functional (4)

$$S(P) = \sum_{k=2}^M \int_0^1 [w(x, t_k) - w_e(x, t_k)]^2 dx \quad (4)$$

where M in functional (4) represents number of days during which measurement took place. In this particular study $M = 5$.

The study [4] presents an approach how the solution can be found. The moisture transfer coefficient was found in the following form:

$$D(w, t) = p_1 w^{p(t)} + 1.5e^{-150(w-v_0)}, \quad p(t) = p_2 + p_3(1-t)^{p_4},$$

where parameters $P = [p_1, p_2, p_3, p_4]$ were determined by so called the Newton's method and their specific values were the following: $P = [57.16; 2.63; 4.34; 7.66]$. Note, the problem (1) - (4) is written in dimensionless variables. For example, if a dimensional variable \bar{x} varies within the range $0 < \bar{x} < 9 \text{ cm}$, then the magnitude $x = \bar{x} / 9 \text{ cm}$ varies within the range $0 < x < 1$, and therefore is a dimensionless magnitude. A similar consideration was applied in determination of all other variables and constants. A good coincidence was observed when the output of mathematical model was compared with experimental data of measured moisture

concentration. The results are demonstrated in Fig. 3. We can see that measured and calculated distributions are sufficiently close. This is emphasized by a small positive value of functional $S(P)=0.000646$.

The presented model has been developed on the assumption that experimental drying of the moist sample is executed under normal temperature $T = 27^{\circ}C$. However, in reality not only a moisture variance but also a temperature variance occurs in building materials. Thus, a more complex mathematical model should be considered which takes to account a temperature variance, as well.

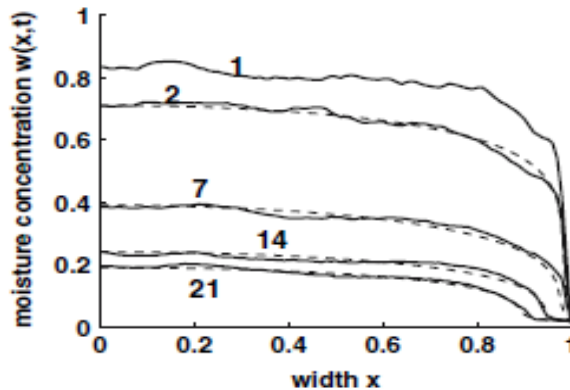


Fig. 3 Measured moisture distribution (solid lines) and by model calculated moisture distribution (dot lines) for sample from aerated concrete in dimensionless variables

Mathematical model of moisture and heat transfer in porous material

In our study [5] we have proposed the following more complex model

$$\frac{\partial w_l}{\partial t} = \frac{\partial}{\partial x} \left(D_l \frac{\partial w_l}{\partial x} \right) - I, \quad (5)$$

$$\frac{\partial w_v}{\partial t} = \frac{\partial}{\partial x} \left(D_v \frac{\partial w_v}{\partial x} \right) + I, \quad (6)$$

$$C_s \frac{\partial T}{\partial t} = \frac{\partial}{\partial x} \left(\lambda \frac{\partial T}{\partial x} \right) - rI + \left(c_l D_l \frac{\partial w_l}{\partial x} + c_v D_v \frac{\partial w_v}{\partial x} \right) \frac{\partial T}{\partial x}, \quad (7)$$

$$\Pi = \frac{w_l}{\rho_l} + \frac{w_v}{\rho_v}, \quad (8)$$

where moisture $w(x,t)$ is divided in this case into liquid moisture (water) $w_l(x,t)$, where the index l is derived from the Latin word liquidus, and into water vapor $w_v(x,t)$, where the index v is derived from the English word vapor. $D_l, D_v, c_l, c_v, \rho_l, \rho_v$ are coefficients of diffusion, thermal capacity and water and water vapor density, in this work they are considered to be constants. Beside of this, we suppose in the work that the total thermal capacity $C_s = c_d \rho_d + c_l w_l + c_v w_v$, as well as the total thermal conductivity $\lambda = \lambda_{d0}(1 - \Pi) + c_l D_l w_l + c_v D_v w_v$, depends on moisture. The system (5) – (8) is a system consisting of three partial differential equations (5) – (7) and one algebraic equation (8). The unknown functions are functions $w_l(x,t), w_v(x,t), I(x,t), T(x,t)$ where $I(x,t)$ is the source function which indicates whether evaporation of water to water vapor in material pores takes place ($I(x,t) > 0$), or whether condensation of water vapor to water occurs ($I(x,t) < 0$). Equation (5) describes the water diffusion and equation (6) describes the water vapor diffusion in porous material. Equation (7) is an equation of heat transfer in which we consider a phase and heat transfer due to the moisture exchange in the space. The last equation (8) indicates that the volume of the pores in material consists of two parts. The first part in which water is located and the second part in which water vapor is present. Besides the equations (5) – (8) the following initial

$$w_l(x,0) = 0, \quad w_v(x,0) = \rho_v \Pi, \quad T(x,0) = 1, \quad 0 \leq x \leq 1, \quad (9)$$

and boundary conditions

$$\frac{\partial w_j}{\partial x}(0,t) = 0, \quad j = l, v, \quad \frac{\partial T}{\partial x}(0,t) = 0, \quad 0 \leq t \leq 1, \quad (10)$$

$$w_l(1,t) = \rho_l \Pi [1 - \exp(-\alpha t)], \quad \alpha \gg 1, \quad (11)$$

$$w_v(1,t) = \rho_v [\Pi - w_l(1,t) / \rho_l], \quad (12)$$

$$\lambda \frac{\partial T}{\partial x}(1,t) = -\beta [T(1,t) - T_{1,out}], \quad 0 \leq t \leq 1, \quad (13)$$

had been considered in the work [5]. The initial conditions (9) indicate that at the beginning the pores are filled up with water vapor of constant temperature, without presence of water. The boundary conditions (10) are written in the point $x = 0$ and mean that there is not any mass flux nor any heat flux on the left side of the sample. The boundary conditions (11), (12) and (13) are written in the point $x = 1$. The condition (11) means that at the beginning,

there is no water in the point $x = 1$, which after increases with time. The condition (12) signifies that at the beginning, there is maximum amount of water vapor in the point $x = 1$, which after decreases with time. And at the end, the boundary condition (13) indicates, that the thermal flux in the point $x = 1$ includes also the temperature variation on the sample surface and in the outside environment without any phase change. Overall the conditions (9) – (13) describe a phenomenon of water sorption to the building material sample which was dry at the beginning.

The final result for moisture is shown in Fig. 4. On the left we can observe the water distribution which is zero at the beginning and which increases in time mainly on the right boundary. On the left there is the water vapor distribution which is maximal at the beginning and is equal to value $5.2 \cdot 10^{-6} \text{ g/cm}^3$ which decreases with time. The final solution for temperature and source is depicted in Fig. 5. On the left part of Fig. 5 we can see the temperature distribution along the sample width for various time moments. Such temperature can be considered as constant and equal to 27°C . The source distribution along sample width is shown on the right part of the Fig. 5 for all considered time moments. We can see on the left from the point $\bar{x} = 9 \text{ cm}$ that at the beginning in pores the water vapor condensates intensively and later the condensation vanishes.

Moisture quantity and heat loss in wet porous material

We can determine a transfer of the moisture and energy quantity from solutions $w_l(x,t)$, $w_v(x,t)$ and $T(x,t)$ in porous material during the relevant period from 1st until 21st day by solving the system of equations (5) – (8) with initial and boundary conditions (9) – (13). To do this, it is necessary to integrate the left sides of equations (5) – (7) and to calculate the dimensional values of these double integrals

$$\int_0^9 \int_0^{20} \frac{\partial \bar{w}_l}{\partial \bar{t}} d\bar{t} d\bar{x} = 0.188 \text{ g/cm}^3,$$

$$\int_0^9 \int_0^{20} \frac{\partial \bar{w}_v}{\partial \bar{t}} d\bar{t} d\bar{x} = -4.876 \cdot 10^{-6} \text{ g/cm}^3,$$

$$\int_0^9 \int_0^{20} \bar{C}_s \frac{\partial \bar{T}}{\partial \bar{t}} d\bar{t} d\bar{x} = -1.335 \cdot 10^{-6} \text{ kWh/m}^2.$$

The minus sign in the second integral means that during the transfer, the water vapor condensates and in the third integral it means that the energy is absorbed from surrounding environment.

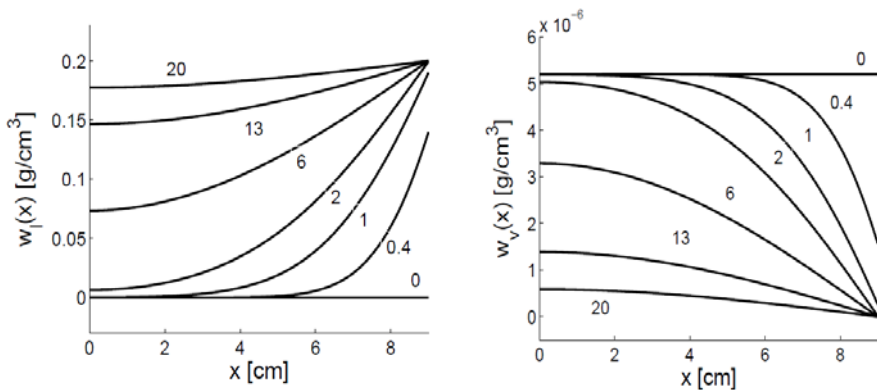


Fig. 4 Distribution of moisture along the sample width: water (left) and water vapor (right).

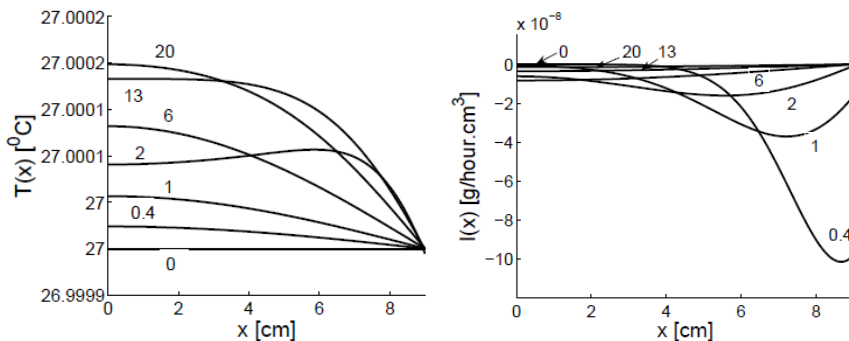


Fig. 5 Distribution of temperature (left) and source (right) along the sample width

If we assume that material is dry, i.e. $w_l(x, t) = 0$ and $w_v(x, t) = 0$ then $I(x, t) = 0$ and further $C_s = c_d \rho_d$, $\lambda = \lambda_{d0}(1 - \Pi)$ which results from equations (5) and (6). Beside of this if we assume that the initial and the outside temperatures are equal $T(x, 0) = T_{1,out}$ during whole period of the experiment, then the temperature is equal in all inner points and the transfer of energy is zero. This follows from initial and boundary conditions (9) – (13). Our numerical calculations confirm that for dry material we really get

$$\int_0^9 \int_0^{20} \bar{c}_d \bar{\rho}_d \frac{\partial \bar{T}_d}{\partial \bar{t}} d\bar{t} d\bar{x} = 0 \quad kWh / m^2.$$

In general, the energy loss can be calculated as a difference between the energy transmission of moist and of dry material, i.e. in our case we get

$$\int_0^9 \int_0^{20} \left(\bar{C}_s \frac{\partial \bar{T}}{\partial \bar{t}} - \bar{c}_d \bar{\rho}_d \frac{\partial \bar{T}_d}{\partial \bar{t}} \right) d\bar{t} d\bar{x} = -1.335 \cdot 10^{-6} \quad kWh / m^2.$$

We remark that the obtained result relates to the mentioned porous aerated concrete sample and to the period of simulation of 20 days. The calculated energy loss can be considered as negligible comparing to the energy loss raised during the drying process of the sample [6].

Summary

The following conclusions can be made from obtained results:

- the process of water sorption to the pores of dry sample is accompanied by condensation of water vapor in sample pores,
- the quantity of water absorbed to the sample is considerably higher than the quantity of condensed water vapor in the pores,
- the temperature of the sample remains practically changeless during the sample wetting,
- the energy loss in a wet material is higher than in a dry material, however, this loss is not as significant as if the desorption process would be studied [6].

In general, a reduction of energy loss in buildings leads mainly to financial savings. Beside of this, for example, the emissions of greenhouse gases are reducing as well. The greenhouse gases have their origin in various energy activities, such as electricity production, processes in industry and agriculture, or transport [7]. A heat production represents one of the largest portion of the overall energy activities and therefore, a significant economic effect can be achieved by the reduction of the heat consumption in various types of buildings. It is estimated [8] that the heat consumption in buildings represents 40 % of the overall energy consumption. Its reduction leads to reduction of carbon dioxide CO₂ emissions as well.

The work was supported by grants APVV SK-PL-0031-09, APVV LPP-0211-09, VEGA 1/0317/09, SÚJV 09-6-1060-2008/2010, RFFI No. 09-01-00770-a.

Bibliography

1. H. Pleinert, H. Sadouki, F.H. Wittmann: Determination of moisture distribution in porous building materials by neutron transmission analysis, *Materials and Structures*, vol. 31, May 1998, pp. 218-224.
2. R. M. E. Valckenborg, L. Pel, K. Hazrati, K. Kopinga, J. Marchand: Pore water distribution in mortar during drying as determined by NMR, *Materials and Structures*, vol. 34, December 2001, pp. 599-604.
3. F. Mrlik: Vlhkostné problémy stavebných materiálov a konštrukcií, Alfa, Bratislava, 1985.
4. I.V. Amirkhanov, E. Pavlušová, M. Pavluš et. al.: Numerical solution of an inverse diffusion problem for the moisture transfer coefficient in a porous material, *Materials and Structures*, vol. 41, 2008, pp. 335-344.
5. I.V. Amirkhanov, E. Pavlušová, M. Pavluš et. al.: Numerical modeling of heat and mass transfer in a porous material, Preprint P11-2009-124, (in Russian), 2009, pp.1-11.
6. E. Pavlušová, M. Pavluš, I. Sarhadov, J. Slezák: Energy certification of buildings and models of heat and moisture transfer in building materials, submitted to *Journal of Management and Business: Research and Practice*.
7. R. Bucki, F. Marecki: Modelling and Simulation, Parkland, (2005).
8. A. Ohradzanská: Tepelná ochrana budov, 2009, Zborník, str. 9-11, ISBN 979-80-969158-5-9.

Contact

doc. RNDr. Miron Pavluš, CSc.
Head of the Department DQM&MI
Faculty of Management University of Prešov in Prešov
Ul. 17 Novembra č. 1,
080 78 Prešov
Phone: 051/7570162
E-mail: pavlus@unipo.sk

Current Status Analysis of Using E-learning in the University Education in Slovakia

Beáta Šofranková

University of Prešov in Prešov, Faculty of Management

Abstract

Electronic learning (e-learning) as a new method has begun to develop in the Slovak system of education. It represents a wide range of options for acquiring knowledge in a teaching process using information and communication technologies. The article is focused on the analysis of the current using of e-learning in education at Slovak universities.

Key words

E-learning, education, university

E-learning and education

On the web side of company e-learnmedia is written: “Classical teacher-based education is here from the beginning of the human history and it is still the most frequented and widespread form of education in the world. A teacher can a student help, direct him/her towards the right way as well as appreciate his/her success. Memories of our teachers remain hidden in us for the whole our lives. Teachers form them and school system substantially influences development of the whole society.

Classical and approved educational methods are predominantly used today. Our era is the era of changes, new ideas, thoughts and also tasks. E-learning is one of the new, modern forms of education, asserting itself in advanced countries, bringing new impulses and possibilities to schools. Combination of classical education and e-learning connects tutor’s experience and the advantages of computer techniques and multimedia. Education is going to be more interesting, addressed and effective.

E-learning can exempt teacher from everyday repeating of same lectures. Moreover, through pictures or animation, he is able to explain the problem easier and sufficiently self-explanatory to make it better kept in students’ minds. Although the role of the teacher seems to be fading out here, it is not true. E-learning enables teacher to become a tutor, giving more attention to trouble areas, improvement of his/her courses and creation of new ones, communication with students and other activities, put aside owing to lack of

time till now. It is the communication with students that plays a very important role by learning through electronic media.

The more educated people society has the better it is. Employers require skilled workers and therefore schools are forced to admit more and more students. But double quantity of students means double costs for their education. And just here another power of e-learning can be found. In this case, the above-mentioned rule of proportion is false. By means of e-learning, it is possible to educate multiple amounts of students for markedly lower costs. Many high schools and universities have understood this fact. These are the schools with vision and such organizations work more effectively and go forward faster than the others. Some of our universities also started utilizing of e-learning methods.” (<http://www.e-learnmedia.sk/>)

What does e-learning mean?

E - LEARNING (E – means electronic , **LEARNING** - means education)

Precise definition of e-learning does not exist, we prefer to the definition in a recognized expert in this area – **BADRUL H. KHAN, PH.D.** (2006, p. 17):

„E – learning can be defined as an innovative approach for delivering well-designed, learner-centered, and interactive learning environments to anyone, anyplace, anytime by utilizing the attributes and resources of the Internet, digital technologies, and other modes of learning in concert with instructional design principles.”

Electronic learning or, shortly said, e-learning, represents a wide area of knowledge acquisition in an educational process by means of modern information and telecommunication technologies. It belongs to the so-called e-branches, coming in the foreground in connection with the transformation of the modern world into "information society". The area of e-learning is rather wide, covering production and distribution of interactive electronic courses (e-learning courses), learning management and related feedback with the help of modern technologies. E-learning courses can consist of multimedia presentations, simulations, combinations of animations, video and audio sequences, text commentaries and, last but not least, of students' knowledge checking tests.

KHAN (2006) has described **8 DIMENSIONS OF E- LEARNING**:

1. The **PEDAGOGICAL DIMENSION** of E-learning refers to teaching and learning. This dimension addresses issues concerning content analysis, audience analysis, goal analysis, media analysis, design approach, organization and methods and strategies of e-learning environments.
2. The **TECHNOLOGICAL DIMENSION** of the E-Learning Framework examines issues of technology infrastructure in e-learning environments. This includes infrastructure planning, hardware and software.
3. The **INTERFACE DESIGN** refers to the overall look and feel of e-learning programs. Interface design dimension encompasses page and site design, content design, navigation, and usability testing.
4. The **EVALUATION** for e-learning includes both assessment of learners and evaluation of the instruction and learning environment.
5. The **MANAGEMENT** of e-learning refers to the maintenance of learning environment and distribution of information.
6. The **RESOURCE SUPPORT** dimension of the E-Learning Framework examines the online support and resources required to foster meaningful learning environments.
7. The **ETHICAL CONSIDERATIONS** of e-learning relate to social and political influence, cultural diversity, bias, geographical diversity, learner diversity, information accessibility, etiquette, and the legal issues.
8. The **INSTITUTIONAL** dimension is concerned with issues of administrative affairs, academic affairs and student services related to e-learning.



E-learning in the university education in Slovakia

In the academic year 2009/10 are studying 225 588 students at the higher education institutions in the Slovak Republic. (65,62 % full-time study and 34,38 % part-time study).

Among the higher education institutions we can classify 20 public, 3 state, 10 private universities and three foreign universities. Of the total number of universities, the public higher education institutions are involved 83,18 % and 16,82 % are the private.

In our analysis, we used the web sides of individual higher education institutions in Slovakia, which we have obtained in section the higher education institutions on Ministry of Education, Science, Research and Sport of the Slovak Republic. (www.minedu.sk)

The next part of this article we bring information about number of e-learning courses, which we could find on the web sides. In this part of the research we focused only on information that was available on the web sides of individual higher education institutions.

The following table summarizes information about e-learning courses, and we did not take into account the content of individual e - courses, up to date - whether the course or run over. Sometimes we even failed to get a list of e-courses because access is via a password of student and consent of the tutor – teacher or administrator. (These schools are in the table indicate the 0*). We made a difficult location to find these courses on the web side of individual higher education institutions. Some schools have placed the icon e-learning course directly on the own main web sides.

Taking in consideration that the total number of schools is 33, only 8 schools to open the names of e-learning courses (together 1778 courses), the other 5 schools leading e-learning courses, but are not released their names or authors on the web sides. Interesting is also that of the 10 private universities, only 2 used e-learning courses. The largest number of courses has Slovak University of Technology in Bratislava, which mainly attributed to the conditions that the school has - the technical and material terms, conditions and has experts who are dedicated to modern technologies.

Table 1: Summary of e-learning courses

	NAME OF THE HIGHER EDUCATION INSTITUTIONS	NUMBER OF E-COURES
	PUBLIC higher education institutions	
1.	Comenius University in Bratislava	134
2.	Pavol Jozef Safarik University in Košice	0
3.	University of Prešov in Prešov	397
4.	University of Saint Cyril and Methodius in Trnava	0*
5.	University of Veterinary Medicine and Pharmacy in Košice	0*
6.	Constantine the Philosopher University in Nitra	348
7.	Matej Bel University in Banská Bystrica	0*
8.	Trnava University in Trnava	0
9.	Slovak University of Technology in Bratislava	603
10.	Technical University of Košice	0*
11.	University of Žilina	0
12.	Alexander Dubcek University of Trenčín	72
13.	University of Economics in Bratislava	0*
14.	Slovak University of Agriculture in Nitra	202
15.	Technical University in Zvolen	0
16.	Academy of Performing Arts Bratislava	0
17.	Academy of Fine Arts and Design Bratislava	0
18.	Academy of Arts in Banská Bystrica	0
19.	Catholic University in Ružomberok	0
20.	J.Selye University in Komárno	0
	STATE higher education institutions	
1.	Armed Forces Academy of gen.R.Stefanik in Liptovský Mikuláš	0
2.	Police Academy in Bratislava	0
3.	Slovak Medical Univesity in Bratislava	0
	PRIVATE higher education institutions	
1.	City University of Seattle in Trenčín	15
2.	St. Elizabeth College of Health and Social sciences in Bratislava	0
3.	School of Economics and Management in Public Administration in Bratislava	0
4.	Bratislava College of Law (PAN EUROPE)	0
5.	University in Sladkovičovo	0
6.	International School of Management Slovakia in Prešov	0
7.	Central European College in Skalica	7
8.	Dubnica Technology Institute in Dubnica	0

9.	Bratislava International School of Liberal Arts in Bratislava	0
10.	University of Security Management in Košice	0

Source: own processing

E-learning at the University of Prešov

At present the University of Prešov has 11 783 full-time and part-time students. The next part of our article we bring summary of faculties of the University of Prešov and the number of students studying in various faculties.

Table 2: Summary o faculties and number of students

NAME OF FACULTY	NUMBER OF STUDENTS
FACULTY OF ARTS	2 723
FACULTY OF MANAGEMENT	2 518
FACULTY OF HUMANITIES AND NATURAL SCIENCES	2 274
FACULTY OF EDUCATION	1 534
FACULTY OF HEALTH CARE	1 029
GREEK-CATHOLIC THEOLOGICAL FACULTY	763
ORTHODOX THEOLOGICAL FACULTY	568
FACULTY OF SPORTS	374

Source: own processing

Faculty of Education as the first faculty of Prešov University offers distance learning with e-learning in three part-time study programs. From the start it was clear to us that our "0-th" stage does not meet all the requirements of e-materials and e-training. Initially, we put emphasis on the preparation of word processing texts (then in pdf format) - syllabus, abstract of courses, recommended books, the test conditions, presentations, animations, links to web sides. The tasks are solved by means of assignments and tests. In terms of graphic design, we chose a simple template MOODLE environment, including minimum additional services. We have complete courses for the Bachelor's-degree study programs in the various study programs for which students have been recruited under the distance learning. We were surprised activity and effort of teachers to create your course prepared by "simple" template. Students of this type of teaching seem interested, even if it is true that they seem the most appropriate time combined form of study. The level of individual courses varies, but it is natural in the academic environment - the teachers who have e-learning enthusiasm. They create interesting and challenging courses; some teachers do necessary and ended. The faculty does not yet have a system of motivation and reward creators of courses. It is now up 379 e-learning courses, including 241 bachelor's study courses, 122 for master's

degree, 28 courses in the archives, foreign students have created two courses and in the group "OTHERS" are 3 courses. The other faculty of Prešov University appear to be interested in this option of study, mainly for reasons of reducing the number of contact hours, e-learning can also be a complementary platform in a classic study. (Burgerová-Beisetzer, 2009)

Faculty of Management is the second largest faculty of Prešov University. At the beginning the year 2010 we carried out a survey among students of Faculty of Management. The survey was conducted by questionnaire, which contained 20 questions. The survey involved 164 students of the Faculty of Management University of Prešov. Correct responses were 160 questionnaires, which were evaluated and processed.

The survey was to obtain feedback from students of the Faculty of Management in Prešov to:

- the use of computer / laptop for university studies
- the use of the Internet to study at university
- to evaluate the level of knowledge of computing and Internet
- the knowledge of distance education
- e-learning experiences on completion of e-learning course
- the use of e-learning for university studies.

Processing of the questionnaires we had the following values - students spent on average 6,5 hours per week at the computer as well as to study at university and the Internet to study for high school use on average 6 hours per week.

Students should assess their knowledge of computing and the Internet.

- 69 % of respondents - use computer and internet at a higher level
- 30,5% of respondents have a basic knowledge of computers and the Internet
- 0,5% reported to be dedicated to professional IT technologies.

The term "e-learning" brought together 135 students, 21 students had heard something about it, 4 students with this concept did not met. The method of e-learning completed 16 students, 144 students, however, this form of study has no experience. Students receive a course mainly focusing on foreign language, computer science, economics, finance, law. 81% were self - learning through study of very satisfied and satisfied, 19% rated the form of either a positive or negative, no student expressed dissatisfaction with this method. 124 students would welcome such a study through high school, 32 remained in neutral terms, 4 responded that they did not want to study out with this method.

After analysis of all questions from the questionnaire can be stated that computer literacy of students, weekly hours spent at the computer and the Internet, a positive reaction to completion e-learning courses could sufficient

grounds for us to the Faculty of Management find the courage, taste and financial means to implement this modern method of education.

Summary

E-learning will probably never substitute classical forms of education - first of all in some specific areas demanding personal contact between students and teachers. Nevertheless, it is a very progressive supplement of the educational programmes that - thanks to IT - in some way accelerates, improves and first of all reduces costs for education itself.

E-learning brings new impulses and new possibilities to schools. Through a combination of classical education and e-learning it is possible to reach a form, which connects experience of a teacher – lecturer and advantages of computer technologies and multimedia.

Education becomes:

- more interesting,
- more catchy,
- more addressed,
- more effective.

E-learning in higher education moving walls, opening up new opportunities for teachers and for the students and becomes a new, modern and important part of education.

Bibliography

1. BADRUL H. KHAN, PH.D.: *E – learning Osem dimenzií otvoreného, flexibilného a distribuovaného e-learningového prostredia*. (preklad K. Veselá). Prvé vydanie Nitra. Slovenská poľnohospodárska univerzita v Nitre, 2006. ISBN 80-8069-677-2
2. BURGEROVÁ, J. – BEISETZER, P.: *E –learning na Prešovskej univerzite*. In: Inovačný proces v e- learningu (elektronický zdroj). Bratislava: ekonóm, 2009 PF186/09, FHPV 266/09
3. ŠOFRANKOVÁ, B.: *Analýza predpokladov implementácie e-learningu z pohľadu študentov*. In: Inovačný proces v e-learningu [elektronický zdroj] : recenzovaný zborník príspevkov z medzinárodnej vedeckej konferencie, Bratislava 11. marec 2010. - Bratislava : Ekonóm, 2010. - ISBN 978-80-225-2949-5. - [4 S.].
4. <http://www.minedu.sk>
5. <http://www.e-learnmedia.sk/>
6. <http://www.portalvs.sk/>

This article is published as one of the outputs by the international research grant “University Role in Regional Development and Knowledge Dissemination” SK-PL-0056-09, by Slovak Research and Development Agency SRDA (APVV) and the Centre of Excellence CEVKOG.

Contact

Ing. Beáta Šofranková
Faculty of Management
University of Prešov in Prešov
E-mail: sofrankova@unipo.sk

Reference Points Based Representation of Polynomials in Space

Imrich Szabó – Csaba Török

P.J. Šafárik University in Košice, Faculty of Science

Abstract

The information gain needs qualitative numerical and statistical techniques. For modelling and smoothing noisy 2D data with complex structure we recently proposed a three-part local scheme in which the key role was played by a special representation of polynomials based on four reference points. The goal of this article is to derive a similar representation for polynomials of two variables that should play the central role in modelling and smoothing 3D data.

Key words

polynomials, modelling, smoothing, 3D data

1. Introduction

Studies related to data transformation indicated that significant achievements were made by N. D. Dikoussar, who defined the discrete projective transformation (DPT) using a certain count of reference points. To be exact, he used three of them.

The authors of paper [2] showed that similar transformation can be made with two reference points. The result of their work was a definition of transformation that works in plane (curves, functions of one variable) and in space (surfaces, functions of two variables) as well.

According to these findings we made a conclusion that there must be a way to generalize the transformations mentioned above, so further transformations operating with an arbitrary number of reference points can be defined. But it did not end up with plans and thoughts. Concrete results were achieved in [3], where the so called r -point transformation, for $r \geq 2$, is introduced in plane.

The most part of the article is dedicated to a special representation of polynomials called IZA representation. The acronym comes from the first letters of words **I**ncomplete interpolation, **Z**eroing polynomial and **A**pproximation [3]. This representation and proper localization of its reference points are the main contributing factors in creating a suitable approximation model both in plane and space. In [4] we assumed that for derivation of such

representation a 4x4-point 3D transformation will be needed. But as we shall see, a 4-point 2D transformation will be sufficient to complete the task. Therefore the next chapter will provide a closer look at the 4-point transformation in plain (2D), as well as the principle of its work explained on power functions and polynomials. The new results are exposed in the third chapter, where we give the IZA representation of polynomial surfaces in space. The representation is demonstrated on an example.

2. 4-point transformation in plain

This chapter is devoted to the concept of the 4-point transformation in plain and processed based on [3]. As we will work in the next two chapters with variables x, y and two sets of reference points, our notations differ a little from that in [3].

Definition 1

The forward 4-point transformation of an arbitrary continuous function of one variable $f(x)$ based on a set of four reference points $R \equiv R_v = \{[v_i f(v_i)]; i = 0, \dots, 3\}$ is defined by

$$T_{R_v} f(x) = H_{R_v,0}(x)f(x) + \sum_{i=1}^3 H_{R_v,i}(x)f(v_i),$$

where $H_{R_v,i}(x)$, $i = 0, \dots, 3$ are given by

$$H_{R_v,0}(x) = \frac{(v_0 - v_1)(v_0 - v_2)(v_0 - v_3)}{(x - v_1)(x - v_2)(x - v_3)}, \quad H_{R_v,1}(x) = \frac{(v_0 - x)(v_0 - v_2)(v_0 - v_3)}{(v_1 - x)(v_1 - v_2)(v_1 - v_3)},$$

$$H_{R_v,2}(x) = \frac{(v_0 - x)(v_0 - v_1)(v_0 - v_3)}{(v_2 - x)(v_2 - v_1)(v_2 - v_3)}, \quad H_{R_v,3}(x) = \frac{(v_0 - x)(v_0 - v_1)(v_0 - v_2)}{(v_3 - x)(v_3 - v_1)(v_3 - v_2)}.$$

Definition 2

The backward (inverse) 4-point transformation of an arbitrary continuous function of one variable $f(x)$ based on a set of four reference points $R \equiv R_v = \{[v_i f(v_i)]; i = 0, \dots, 3\}$ can be expressed by the following formula

$$T_{R_v}^{-1} T_{R_v} f(x) = \Pi_{R_v,0}(x)T_{R_v} f(x) + \sum_{i=1}^3 \Pi_{R_v,i}(x)f(v_i),$$

where $\Pi_{R_v,i}(x)$, for $i = 0, \dots, 3$, are formulated as shown below

$$\Pi_{R_v,0}(x) = \frac{(x - v_1)(x - v_2)(x - v_3)}{(v_0 - v_1)(v_0 - v_2)(v_0 - v_3)}, \quad \Pi_{R_v,1}(x) = \frac{(x - v_0)(x - v_2)(x - v_3)}{(v_1 - v_0)(v_1 - v_2)(v_1 - v_3)},$$

$$\Pi_{R_v,2}(x) = \frac{(x - v_0)(x - v_1)(x - v_3)}{(v_2 - v_0)(v_2 - v_1)(v_2 - v_3)}, \quad \Pi_{R_v,3}(x) = \frac{(x - v_0)(x - v_1)(x - v_2)}{(v_3 - v_0)(v_3 - v_1)(v_3 - v_2)}.$$

Remark 1

Instead of the whole set R_v we will operate often with the vector of the first coordinates of the reference points $v = (v_0, \dots, v_3)$. We will also write $T_v f(x)$ or $T_{x,v} f(x)$ instead of $T_{R_v} f(x)$ and $p_i^v(x)$ instead of $\Pi_{R_v,i}(x)$. The same holds for the backward transformation.

Remark 2

The sums of $\Pi_{R_v,i}(x)$ and $H_{R_v,i}(x)$ respectively, for $i = 0, \dots, 3$, are equal to 1. Hence follows that the 4-point transformation does not change the constant, $T_v c = c$.

Lemma 1 (4-point 2D transformation of a power function)

Let us have a power function of one variable $f(x) = x^p$, $p \in \mathbb{Z}^{0+}$. Then the 4-point 2D transformation of this function will be

a) a constant for $p < 4$

$$T_v x^p = v_0^p,$$

b) a polynomial of degree $p-3$ for $p \geq 4$

$$T_v x^p = v_0^p + z_1^v(x) S_{p-4,4}^v,$$

where

$$z_1^v(x) = (x - v_0) \prod_{i=1}^3 (v_0 - v_i) \quad (1)$$

and $S_{p-4,4}^v$ is computed based on the equation

$$S_{j,k}^v = S_{j,k-1}^v + v_k S_{j-1,k}^v, \quad (2)$$

for $l \leq j$; $l \leq k \leq 4$, while $S_{0,k}^v = 1, k \geq l$, $S_{j,0}^v = v_0^j, j \geq l$ and $v_4 \equiv x$.

Example 1

Let $p = 6$. Then the result of the 4-point 2D transformation of function $f(x)$ $= x^p$, based on $v=(v_0, \dots, v_3)$ will be

$$T_v x^6 = v_0^6 + (x - v_0)(v_0 - v_1)(v_0 - v_2)(v_0 - v_3)(v_0^2 + v_1(v_0 + v_1) + v_2(v_0 + v_1 + v_2) + v_3(v_0 + v_1 + v_2 + v_3) + x(v_0 + v_1 + v_2 + v_3 + x)).$$

Theorem 1 (4-point 2D transformation of a polynomial)

Let p in Z^{0+} . Then the 4-point 2D transformation of the polynomial $P_p(x) =$

$$\sum_{i=0}^p a_i x^i, \text{ based on } v=(v_0, \dots, v_3) \text{ will be}$$

a) a constant for $p < 4$

$$T P_p(x) = P_p(v_0),$$

b) polynomial of degree $p-3$ for $p \geq 4$

$$T P_p(x) = P_p(v_0) + z_1^v(x) A_{p-4}^v(x),$$

where $z_1^v(x)$ is defined by (1) and

$$A_{p-4}^v(x) = \sum_{i=4}^p a_i S_{i-4,4}^v. \quad (3)$$

3. IZA representation of polynomials

To prove the 4x4 reference points based IZA representation of a polynomial

$$P_{p,q}(x, y) = \sum_{i=0}^p \sum_{j=0}^q a_{ij} x^i y^j$$

leveraging the forward and backward 4-point transformation we need two auxiliary lemmas.

Lemma 2

Let $p, q \in \mathbb{Z}$, $p \geq 4$, $q \geq 4$ and $\mu = (\mu_0, \dots, \mu_3)$. Then the following equation holds

$$T_{x,\mu} P_{p,q}(x, y) = P_{p,q}(x_0, y) + z_1^\mu(x) A_{p-4}^\mu(x, y),$$

where $z_1^\mu(x)$ is defined based on (1), $A_{p-4}^\mu(x, y) = \sum_{i'=r}^p b_i(y) S_{i-4,4}^\mu(x)$ and

$$b_i(y) = \sum_{j=0}^q a_{ij} y^j.$$

Proof

Thanks to lemma 1 we successively obtain

$$\begin{aligned} T_{x,\mu} P_{p,q}(x, y) &= T_{x,\mu} \sum_{i=0}^p x^i \sum_{j=0}^q a_{ij} y^j = \sum_{i=0}^3 b_i(y) T_{x,\mu} x^i + \sum_{i=4}^p b_i(y) T_{x,\mu} x^i = \\ &= \sum_{i=0}^3 b_i(y) x_0^i + \sum_{i=4}^p b_i(y) (x_0^i + z_1^\mu(x) S_{i-4,4}^\mu(x)) = \\ &= \sum_{i=0}^p \sum_{j=0}^q a_{ij} x_0^i y^j + z_1^\mu(x) \sum_{i=4}^p \sum_{j=0}^q a_{ij} y^j S_{i-4,4}^\mu(x) = P_{p,q}(x_0, y) + z_1^\mu(x) A_{p-4}^\mu(x, y). \end{aligned}$$

□

While the previous lemma expresses the result of a 4-point transformation of $P_{p,q}(x, y)$ along the variable x , the next one expresses the result of a 4-point transformation of $P_{p,q}(x_k, y)$ along the variable y .

Lemma 3

Let $p, q \in \mathbb{Z}$, $p \geq 4$, $q \geq 4$ and $\nu = (\nu_0, \dots, \nu_3)$. Then the following equation holds

$$T_{y,\mu} P_{p,q}(x_k, y) = P_{p,q}(x_k, y_0) + z_1^\nu(y) A_{q-4}^\nu(x_k, y),$$

where $z_1^\nu(y)$ is computed according to (1),

$$A_{q-4}^\nu(x_k, y) = \sum_{j=4}^q b_j(x) S_{j-4,4}^\nu(y) \text{ and } b_j(x) = \sum_{i=0}^p a_{ij} x^i.$$

Proof

Similarly like in the previous lemma.

□

Theorem 2 (IZA representation of polynomials)

Let $p, q \geq 4$, $\mu = (\mu_0, \dots, \mu_3)$ and $\nu = (\nu_0, \dots, \nu_3)$. Then the polynomial

$$P_{p,q}(x, y) = \sum_{i=0}^p \sum_{j=0}^q a_{ij} x^i y^j \text{ can be expressed as follows}$$

$$P_{p,q}(x, y) = I_{3,3}^{\mu,\nu}(x, y) + z_4^\nu(y) A_{q-4}^\nu(x_k, y) + z_4^\mu(x) A_{p-4}^\mu(x, y),$$

where

$$I_{3,3}^{\mu,\nu}(x, y) = \sum_{i=0}^3 \sum_{j=0}^3 p_i^\mu(x) p_j^\nu(y) P_{p,q}(x_i, y_j),$$

$z_4^\mu(x)$ and $z_4^\nu(y)$ are given by products $p_0^\mu(x) z_1^\mu(x)$ and $p_0^\nu(y) z_1^\nu(y)$ respectively, $z_1^\mu(x)$ and $z_1^\nu(y)$ are discussed in lemmas 2, 3, and $A_{p-4}^\mu(x, y)$, $A_{q-4}^\nu(x_k, y)$ are constructed based on (3).

Proof

From the definition of the forward and backward transformation and lemma 2 we get

$$\begin{aligned} P_{p,q}(x, y) &= T_{x,\mu}^{-1} T_{x,\mu} P_{p,q}(x, y) = p_0^\mu(x) T_{x,\mu} P_{p,q}(x, y) + \sum_{i=1}^3 p_i^\mu(x) P_{p,q}(x_i, y) = \\ &= p_0^\mu(x) [P_{p,q}(x_0, y) + z_1^\mu(x) A_{p-4}^\mu(x, y)] + \sum_{i=1}^3 p_i^\mu(x) P_{p,q}(x_i, y) = \end{aligned}$$

$$\sum_{i=0}^3 p_i^{\mu}(x) P_{p,q}(x_i, y) + z_4^{\mu}(x) A_{p-4}^{\mu}(x, y). \quad (4)$$

Using lemma 3 we similarly get

$$\begin{aligned} P_{p,q}(x_k, y) &= T_{y,v}^{-1} T_{y,v} P_{p,q}(x_k, y) = p_0^v(y) T_{y,v} P_{p,q}(x_k, y) + \sum_{j=1}^3 p_j^v(y) P_{p,q}(x_k, y_j) = \\ &= p_0^v(y) [P_{p,q}(x_k, y_0) + z_1^v(y) A_{q-4}^v(x_k, y)] + \sum_{j=1}^3 p_j^v(y) P_{p,q}(x_k, y_j) = \\ &\sum_{j=0}^3 p_j^v(y) P_{p,q}(x_k, y_j) + z_4^v(y) A_{q-4}^v(x_k, y). \end{aligned} \quad (5)$$

Substituting (5) into the equation (4) we finally obtain the desired result

$$P_{p,q}(x, y) = \sum_{i=0}^3 \sum_{j=0}^3 p_i^{\mu}(x) p_j^v(y) P_{p,q}(x_i, y_j) + z_4^v(y) A_{q-4}^v(x_k, y) + z_4^{\mu}(x) A_{p-4}^{\mu}(x, y).$$

□

Now, let us see how this representation works on a concrete example.

Example 2

Consider the matrix

$$\begin{pmatrix} a_{00} & 0 & 0 & 0 & 0 & 0 \\ 0 & a_1 & 0 & 0 & 0 & 0 \\ 0 & 0 & 0 & 0 & a_{24} & 0 \\ 0 & 0 & 0 & a_{33} & 0 & 0 \\ 0 & 0 & 0 & a_{43} & 0 & 0 \\ 0 & 0 & 0 & 0 & 0 & a_{55} \end{pmatrix}$$

that corresponds to the polynomial

$$P_{5,5}(x, y) = a_{00} + a_{11}xy + a_{24}x^2y^4 + a_{33}x^3y^3 + a_{43}x^4y^3 + a_{55}x^5y^5$$

(6)

and two vectors $\mu = [\mu_0, \mu_1, \mu_2, \mu_3]$ and $\nu = [\nu_0, \nu_1, \nu_2, \nu_3]$ that set up the first and second coordinates of the reference points, respectively.

After introducing the necessary objects for the representation

$$P_{5,5}(x, y) = I_{3,3}^{\mu, \nu}(x, y) + z_4^{\nu}(y)A_1^{\nu}(x_k, y) + z_4^{\mu}(x)A_1^{\mu}(x, y),$$

we proceed with its first component $I_{3,3}(x, y)$ that is an incomplete interpolation of $P_{5,5}(x, y)$ and it consists of sixteen addends. Because of their similarity and space demands of the complete notation we will provide only the first addend

$$\frac{(x - \mu_1)(x - \mu_2)(x - \mu_3)(y - \nu_1)(y - \nu_2)(y - \nu_3)}{(\mu_0 - \mu_1)(\mu_0 - \mu_2)(\mu_0 - \mu_3)(\nu_0 - \nu_1)(\nu_0 - \nu_2)(\nu_0 - \nu_3)} P(\mu_0, \nu_0).$$

To complete the representation we have to show how $z_4^{\mu}(x)A_1^{\mu}(x, y)$ and $z_4^{\nu}(y)A_1^{\nu}(x_k, y)$ will look like based on the given vectors μ, ν . Since $p=q=5$, these components equal

$$z_4^{\mu}(x)A_1^{\mu}(x, y) = (x - \mu_0)(x - \mu_1)(x - \mu_2)(x - \mu_3)(a_{43}y^3 + a_{55}y^5(\mu_0 + \mu_1 + \mu_2 + \mu_3 + x))$$

and

$$\begin{aligned} z_4^{\nu}(y)A_1^{\nu}(x_k, y) = & (y - \nu_0)(y - \nu_1)(y - \nu_2)(y - \nu_3) \\ & \left(\left(\frac{(x - \mu_1)(x - \mu_2)(x - \mu_3)}{(\mu_0 - \mu_1)(\mu_0 - \mu_2)(\mu_0 - \mu_3)} \mu_0^2 + \frac{(x - \mu_0)(x - \mu_2)(x - \mu_3)}{(\mu_1 - \mu_0)(\mu_1 - \mu_2)(\mu_1 - \mu_3)} \mu_1^2 + \right. \right. \\ & + \frac{(x - \mu_0)(x - \mu_1)(x - \mu_3)}{(\mu_2 - \mu_0)(\mu_2 - \mu_1)(\mu_2 - \mu_3)} \mu_2^2 + \left. \frac{(x - \mu_0)(x - \mu_1)(x - \mu_2)}{(\mu_3 - \mu_0)(\mu_3 - \mu_1)(\mu_3 - \mu_2)} \mu_3^2 \right) a_{24} + \\ & + \left(\frac{(x - \mu_1)(x - \mu_2)(x - \mu_3)}{(\mu_0 - \mu_1)(\mu_0 - \mu_2)(\mu_0 - \mu_3)} \mu_0^5 + \frac{(x - \mu_0)(x - \mu_2)(x - \mu_3)}{(\mu_1 - \mu_0)(\mu_1 - \mu_2)(\mu_1 - \mu_3)} \mu_1^5 + \right. \\ & + \left. \frac{(x - \mu_0)(x - \mu_1)(x - \mu_3)}{(\mu_2 - \mu_0)(\mu_2 - \mu_1)(\mu_2 - \mu_3)} \mu_2^5 + \frac{(x - \mu_0)(x - \mu_1)(x - \mu_2)}{(\mu_3 - \mu_0)(\mu_3 - \mu_1)(\mu_3 - \mu_2)} \mu_3^5 \right) a_{55}(\nu_0 + \nu_1 + \nu_2 + \nu_3 + y) \end{aligned}$$

4. Conclusions (Discussion)

We derived the two dimensional 4x4-point IZA representation of polynomial surfaces using one dimensional 4-point transformations and their inverse. This representation should play the main relation in piecewise approximation of noisy 3D data with smooth transitions between local neighbouring segments [4]. Our next goal is to show that the recently proposed approach to smoothing 2D data based on two- and three-part approximation schemes should work also with 3D data.

Acknowledgements

This work was partially supported by the VEGA grant 1/4003/07 and the Agency of the Slovak Ministry of Education for the Structural Funds of the EU, under project ITMS: 26220120007.

Bibliography

1. DIKOUSSAR N. D., Function Parametrization by Using 4-Point Transforms, Comp. Phys. Commun., 1997
2. MATEJČIKOVÁ A., TÖRÖK Cs., Two-point Transformation and Polynomials, Košice, 2007
3. TÖRÖK Cs., Reference Points Based Transformation and Approximation, UPJŠ Košice, 2008 (to be published)
4. SZABÓ I., Discrete transformation of 3D data, Forum Statisticum Slovacum 7/2009, Slovak statistical and demographic society, Bratislava, 2009, p. 169 - 175.

Contacts

Imrich Szabó
P.J. Šafárik University in Košice
Faculty of Science, Institute of Computer science
Jesenná 5, 040 01 Košice, Slovak Republic
E-mail: imrich.szabo@gmail.com,

Csaba Török
P.J. Šafárik University in Košice
Faculty of Science, Institute of Computer science
Jesenná 5, 040 01 Košice, Slovak Republic

Title:
MANAGEMENT 2010

**KNOWLEDGE AND MANAGEMENT IN TIMES
OF CRISIS AND ENSUING DEVELOPMENT**

Heads of authors' team: **prof. Ing. Dr. Róbert Štefko, PhD.**
doc. PhDr. Miroslav Frankovský, CSc.
doc. Ing. Peter Adamišin, PhD.
Faculty of Management
University of Prešov in Prešov

Reviewers: **prof. Ing. Jiří Kern, CSc.**
prof. h. c. prof. Ing. Ondrej Hronec, DrSc.

Approved by the editorial committee of the Faculty of Management,
University of Prešov in Prešov as scientific publication.

© **prof. Ing. Dr. Róbert Štefko, PhD.**
doc. PhDr. Miroslav Frankovský, CSc.
doc. Ing. Peter Adamišin, PhD.

Publisher: University of Prešov in Prešov

Edition: 400 pcs.
Pages: 863

ISBN 978-80-555-0257-1
EAN 9788055502571