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Faculty of tourism and business logistics -
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ISCTBL**

CHALLENGES OF TOURISM AND BUSINESS LOGISTICS IN THE 21ST CENTURY



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E-mail: <http://ftbl.ugd.edu.mk/> www.ugd.edu.mk

For the Publisher:

Nikola V. Dimitrov, Ph.D. – Dean

Edited by:

Nikola V. Dimitrov, Faculty of Tourism and Business Logistics, "Goce Delčev" University - Štip, *Macedonia*
Drago Cvijanović, Faculty of Hotel management and Tourism in Vrnjačka Banja, University of Kragujevac, *Serbia*
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Dushko Josheski, Faculty of Tourism and Business Logistics, Goce Delcev University - Štip, Macedonia
Natasа Miteva, Faculty of Tourism and Business Logistics, Goce Delcev University - Štip, Macedonia

Proofreader:

Marija Krsteva, Faculty of Philology, Goce Delcev University - Štip, Macedonia

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PREFACE

The Faculty of Tourism and Business Logistics in Gevgelija, at the Goce Delcev University - Stip, hosted the First International Scientific Conference, "Challenges of Tourism and Business Logistics in the 21st Century".

The conference was held on 24 and 25 October 2017 in Gevgelija with an optional visit to Dojran - Dojran Lake.

32 works of 60 authors from Serbia, Latvia, Turkey, Poland, Bulgaria, Kosovo and Macedonia were presented at the Conference.

The purpose of the Conference is exchange of ideas and experiences of the participants coming from Macedonia and abroad, and establishment of cooperation for further development of tourism and business logistics in Macedonia and beyond.

The results of the Conference are visible through publication in a collection of papers, which is presented to a wider scientific audience and the public.

In this way, we want to promote the Faculty of Tourism and Business Logistics, to promote Gevgelija and Dojran as the most visited settlements in the south-eastern part of Macedonia.

Gevgelija - Stip,
December 2017

Editor
Nikola V. Dimitrov Ph.D. *Dean*

C O N T E N T S:

PREFACE.....7

PLENARY SESSION

GREENWASHING IN TOURISM, SO HOW COMPANIES SHOULD NOT CREATE AN IMAGE 13

Joanna Hernik

THE PARADOX OF ACCESS TO FINANCE IN THE CIRCUMSTANCES OF CAPITAL MISALLOCATION: EMPIRICAL EVIDENCE FROM LATVIA..... 18

Ramona Rupeika-Apoga

SUSTAINABILITY IN TOURISM: ECOLABEL AND CERTIFICATION PROGRAMS AT HOTELS IN TURKEY 20

Nazmiye Erdogan

SUSTAINABLE TOURISM ISSUES – THE ROLE OF LOCAL COMMUNITY (THE CASE OF SERBIA)..... 28

Aleksandra Terzić ; Nataša Simeunović Bajić

TOURISM

SHORT HISTORICAL PRESENCE OF TOURISM IN THE REPUBLIC OF MACEDONIJA..... 39

Nikola V. Dimitrov

POSSIBILITIES FOR SUSTAINABLE DEVELOPMENT OF WINE TOURISM IN DEMIR KAPIJA AND FLORINA58

Naume Marinovski ; Sasho Korunovski ; Mishael Risteski

EVALUATION OF WESTERN SERBIA RURAL TOURISM DEVELOPMENT68

Drago Cvijanović ; Aleksandra Vujko ; Tamara Gajić

PRINCIPLES AND METHODS OF CARTOGRAPHY IN TOURISM 81

Blagoja Markoski

OTTOMAN HERITAGE TOURISM FLOWS IN MACEDONIA 89

Ivanka Nestoroska ; Biljana Petrevska ; Petar Namicev

NEW GENERATION OF PV CELLS AND THEIR POTENTIAL APPLICATION IN TOURISM AND HOTEL INDUSTRY 100

Vlatko Cingoski ; Biljana Petrevska ; Saso Gelev

EFFECTS OF TOURISM ENTREPRENEURSHIP ON REGIONAL DEVELOPMENT 111

Branko Nikolovski ; Tatjana Dimoska ; Zoran Tuntev

MASS MEDIA RELATIONSHIP AND ITS SIGNIFICANCE FOR THE FINANCIAL STATUS OF THE MUSEUMS IN BULGARIA ..	121
Daniel Rumenov ; Severina Vaskova	
RURAL TOURISM AS AN ALTERNATIVE TYPE OF TOURISM.	129
Tanja Angelkova Petkova ; Marija Stanojkova	
RESEARCH OF THE WORK OF RESTAURANTS, THE DAILY MEALS AND THE CATERING PROCESS THROUGH THE USERS OF THE SERVICES IN THE CATERING FACILITIES IN SHTIP AS A FACTOR IN INCREASING THE TOURISTIC COMMERCE	135
Juliana Sazdova ; Aco Kuzelov ; Goran Antonievski	
TOURIST OFFER PEJA	145
Anela Džogović	
UN GOAL: SUSTAINABLE TOURISM AS A KEY CONTRIBUTOR FOR SUSTAINABLE DEVELOPMENT IN DEVELOPING COUNTRIES.....	152
Aneta Stojanovska-Stefanova ; Drasko Atanasoski	
TOURISM RESEARCH METHODS IN PRIZREN	162
Naser M.Bresa ; Cane Koteski ; Nikola V.Dimitrov	
ONLINE BOOKING: BENEFITS AND ADVANTAGES	170
Tanja Angelkova Petkova ; Cvetanka Ristova ; Suzana Đorđević Milošević	
THE ROLE OF THE MONUMENTS FROM CULTURAL HERITAGE AS PART OF THE TURIST OFFER: DEVELOPMENT OF METHODOLOGY	178
Petar Namicev	
ANALYSIS OF THE NUMBER OF OVERNIGHT STAYS AND THE NUMBER OF FOREIGN TOURISTS IN THE REPUBLIC OF MACEDONIA IN THE PERIOD 2006-2015	187
Darko Majhosev ; Cane Koteski	
ENTREPRENEURSHIP AS A PROCESS OF SOCIAL INNOVATION IN TOURISM.....	199
Branko Nikolovski	
QUALITY OF THE TOURIST PRODUCT IN THE FUNCTION OF ATTRACTING TOURIST VISITORS	206
Sofronija Miladinoski ; Fejzula Beha	
THE PROCESS OF ADAPTATION OF TOURIST DESTINATION OFFER TO THE CONTEMPORARY MARKET TENDENCIES.....	212
Snežana Milićević ; Nataša Đorđević	
ANIMATION OF VISITORS DURING THEIR TOURIST STAY IN THE EASTERN REGION OF R. MACEDONIA	219
Zlatko Jakovlev ; Marija Takovska ; Neda Petroska Angelovska	
TOTAL QUALITY MANAGEMENT IN HOTEL INDUSTRY	229
Elizabetha Mitreva ; Dushica Saneva ; Natasha Miteva	

TOURISM DEVELOPMENT TRENDS IN PRIZREN	236
Naser M.Bresa ; Zlatko Jakovlev	
SERVICE QUALITY IN THE HOTEL INDUSTRY	246
Elizabeta Mitreva ; Natasha Miteva ; Dushica Saneva	
THE IMPACT OF TEAMWORK ON THE QUALITY OF THE HOTEL PRODUCT.....	252
Lidija Simonceska ; Toni Cvetanoski	

ECONOMICS AND BUSINESS

ANYTHING GOES THEOREM, INCOMPLETE MARKETS AND RICARDIAN EQUIVALENCE HYPOTHESIS	265
Dushko Josheski	
ANALYSIS OF THE REGULATION OF THE LABOR MARKET IN THE REPUBLIC OF MACEDONIA	279
Mimoza Serafimova ; Mirjana Stojceska Gjorgjioska	
THE ROLE OF THE ENTREPRENEUR IN MANAGING THE PROFESSIONAL STRESS OF THE EMPLOYEES	286
Marija Magdinceva-Sopova ; Snezana Bardarova ; Aneta Stojanova-Stefanovska	
PROCESS OF GLOBALIZATION IN THE WORLD ECONOMY ..	299
Vlatko Paceskoski ; Krume Nikoloski ; Emilija Miteva – Kacarski	
IMPACT OF THE BUSINESS ENVIRONMENT ON THE CONDITIONS FOR STARTING BUSINESS IN REPUBLIC OF MACEDONIA.....	305
Mimoza Serafimova	
INTERNATIONAL DEBT AND DEVELOPING COUNTRIES	313
Vlatko Paceskoski ; Krume Nikoloski ; Emilija Miteva Kacarski	
THE MODERN ENTREPRENEURSHIP IN THE PROCESS OF MODERN TOURISM DEVELOPMENT IN THE REPUBLIC OF MACEDONIA AND MUNICIPALITY OF GEVGELIJA	319
Marija Magdinceva-Sopova ; Kiril Postolov ; Risto Elenov	
ADDRESSING DE-EUROIZATION IN TRANSITION ECONOMIES: THE EVIDENCE OF MACEDONIA	326
Tatjana Boshkov	
Poster presentations.....	335

IMPACT OF THE BUSINESS ENVIRONMENT ON THE CONDITIONS FOR STARTING BUSINESS IN REPUBLIC OF MACEDONIA

Mimoza Serafimova¹

Abstract

This paper analyzes how easy or difficult is for local entrepreneur to open and run business with small and medium-sized enterprises when it meets the relevant legislation. From the changes in the regulations that influence the life cycle of the business, we will set the perspective for starting a business. This paper will consider the business environment in terms of starting a business. The paper presents data on the indicators for quantitative indicators for business regulations and the protection of property rights that can be compared across several economies of comparators of countries in the region and R Macedonia.

Since standard assumptions are used in the data collection, comparisons and benchmarks are valid in the mentioned economies. The data, in addition to highlighting the degree of business barriers, help identify the source of those obstacles, supporting policymakers in designing regulatory reform.

Key words: *business environment, start-up business, Macedonia, region.*

JEL classification: M1, M12, M51, M54.

Introduction

The paper will only mention the ten topics included in the analysis of the business environment of advanced economies: starting a business, dealing with building permits, obtaining electricity, registering property, obtaining loans, protecting investors, paying taxes, trading across borders, implementation of contracts and resolution of insolvency, we only list these things, and we direct the attention to the e-registration system, opening a bank account and a request for registration of VAT through the data presented in the profile of economy in Macedonia.

How this aspect is relevant is spoken by Prahalad from the University of Michigan, USA, which indicates that although the next period the economic development will be marked by an increase in the role of partnerships and alliances, and their impact on the

¹ Mimoza Serafimova, PhD, Associate Professor at Faculty of tourism and business logistic at University Goce Delcev-Stip, R. Macedonia, mimoza.serafimova@ugd.edu.mk

competitive dynamics, an important element remains the access of the business environment from the moment of starting a business, and further on. This ever-changing space of activity is a challenge for the managers of companies in finding new ways of competitiveness through a detailed analysis of the conditions of the business environment, says Prahalad (1999: 10). For policymakers who are trying to improve the regulatory environment of their economy for business, a good place to start is to compare it to the regulatory environment in other economies. We will present aggregate ranking for facilitating approach to doing business based on indicators that measure and perform regulations related to domestic small and medium enterprises through their life cycle. Economies are ranked from 1 to 190 under a facilitating approach to running a business ranking.

1. Literature review

As for the big world companies, small and medium-sized enterprises are important analysis of the environment. But for small businesses, local or regional economic trends may be more important than national ones (Risius, 2007:60). In addition, the procedure for selecting the organizational form cannot be performed appropriately if the following factors that are considered to have the greatest influence are not taken into consideration - the amount of funds available, the legal regulation according to which the operations of the companies are regulated, managerial relations, taxation policies, which form the big picture of a business environment and directly affect the start of business (Paul, Dewhurst, 1996: 89). It is very important for managers to plan to align the company's resources with its environment (Autry, 2005: 751). Starting a business involves the application of the mechanism for structuring the external environment variables in a way that can define competitive strategies (Weihrich, 1993: 4-11). The recent years of my research work only emphasize the need for strategies developed as a result of the need to confirm the current state of the business environment than often it is not known in detail by the management.(Proctor, Ruocco, 1992:152). When establishing business, it is necessary to follow the changes, especially the legislation and its significant performance, which lead to important information about the process of change for their constitution in the transition countries such as Macedonia. (<http://www.ehow.com>).

APPRM can also provide data on the focus of small and medium-sized businesses in the European framework. Namely, 63% of European SMEs are only active in their home countries, and only 8% of them do export. In addition, according to the same data, almost 12% of the entrance to an average company comes from abroad. The problem lies in the lack of information and knowledge about the available opportunities, the lack of analysis of the business environment in which the business exists. To overcome this situation, and in order to get more information on the wider market, the European Commission has established a European Enterprise Network that is present in more than 47 countries, and is already emerging outside Europe. According to APPRM sources (<http://apprm.gov.mk>), they are available to small and medium business companies to help them get the necessary data needed for making business start-ups. Each year, these centers respond to hundreds of thousands of requests for information, assistance or direct counseling. <http://basim.edu.mk/images/Zbornik%20III%202014.pdf>

2. Global perspective

Market economy means clearly defined role of the state and its relation to enterprises. With its monetary and fiscal policies, countries influence the business conditions of the market, but cannot influence the business decisions of private companies. Within its jurisdiction, it is important for the state to adopt such regulations that provide maximum financial discipline and other conditions for safe performance of companies and banks in the market of goods and regular markets, in particular formal regulations for: financial operations, accounting reporting and supervision, rehabilitation and bankruptcy (Babić, 1997: 20)

The formal registration of companies has many immediate benefits for companies, business owners and employees. Legal entities can outlive their founders. Resources come together when several shareholders join forces to start a company. Formally registered companies have access to the services and institutions of the courts of banks, as well as in new markets. Their employees have benefit from the aspect of protection provided by law. An additional benefit comes with limited liability companies. They limit the financial responsibility of the owners of companies for their investments, so the personal funds of the owners are not at risk. In countries where governments make registration easy, more entrepreneurs start businesses in the formal sector, create more good jobs, and generate more revenue for the government.

For policymakers, knowing where their economy stands in the overall ranking of facilitating the start-up procedure, more than needed is the view of how Macedonia ranks in relation to the economies of the compared countries in the region and relative to the regional average (Figure 2). The ranking of the economy and the distance to the marginal outcomes on topics involved in the ease of doing business ranking, provided the next perspective (Doing Business 2017: 8).

3 National perspective - or what is needed when starting a business in Macedonia?

Underlying the indicators shown in this chapter for Macedonia, is a set of specific procedures—the bureaucratic and legal steps that an entrepreneur must complete to incorporate and register a new firm, identified through collaboration with relevant local professionals and the study of laws, regulations and publicly available information on business entry in that economy.

Following is a detailed summary of those procedures, along with the associated time and cost.

Table 1. *Summary of time, cost and procedures for starting a business in Macedonia.*

No.	Procedure	Time to complete	Cost to complete
1	<p>Registration with the Central Registry and obtaining a company seal</p> <p>Company founders can prepare registration documents themselves. A one-stop shop system was implemented on January 1, 2006. The Central Register of Republic of Macedonia is the single institution for registering LLCs and other forms of trade companies, foreign representative offices, and other entities. This registration process includes registering the company with the Trade Register, providing the LLC statistic number, opening the LLC bank account, registering the company in the Public Revenue Office-Tax Office, and publishing the LLC formation notice on the Central Register's Web site (www.crm.com.mk).</p> <p>According to the amendment of the Law on trade companies, Published in the Official Gazette of the Republic of Macedonia nr. 38 from 24.02.2014, registration of LLCs must be conducted in electronic form with the assistance of authorized registration agents who are the only authorized entities to submit applications for registration. The electronic registration is free.</p> <p>With the amendments on the Law on One Stop Shop (Official Gazette 150/2007 from 12.12.2007) connection is now established between the Central Registry and the Employment Agency which allows registering of first employment of directors through CRM and registering employees with the social fund.</p> <p>Registration agents have public authorization to prepare the application and the accompanying company deeds, and also to convert paper documents issued by other institutions needed for establishing the company into electronic form, to digitally sign and submit them through the existing system for e-registration of the Central Register, in the name and on behalf of different parties.</p>	1 day	MKD 250 for standard seals and 2,200 for automatic seals.

	<p>The registration agents have public authorization to determine the identity of the participants, such that the need for notarization of documents is now completely eliminated. The entire company registration procedure is completed at the site of the registration agent.</p> <p>The founders shall transfer the amount of the principal capital on a temporary account in a commercial bank of their choosing. After the registration is completed the bank account of the newly founded company shall be opened.</p> <p><i>Agency: Central Register</i></p>		
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According to data collected by Doing Business, starting a business requires 2.0 procedures, lasts 2.0 days, costs 0.1% of per capital income for men, and requires 2.0 procedures, lasts 2.0 days, costs for women by 0.1%. The requirement for paid minimum capital of 0.0% of income per capital (Figure 2) is legally mandatory for both men and women. Most indicators relate to starting a business in the city with the most developed business economy, with the exception of 11 economies for which the data is an average valued population in the two largest business cities (Figure 1).

Figure 1: *What it takes to start a business in Macedonia, Paid-in minimum capital (% of income per capita):*

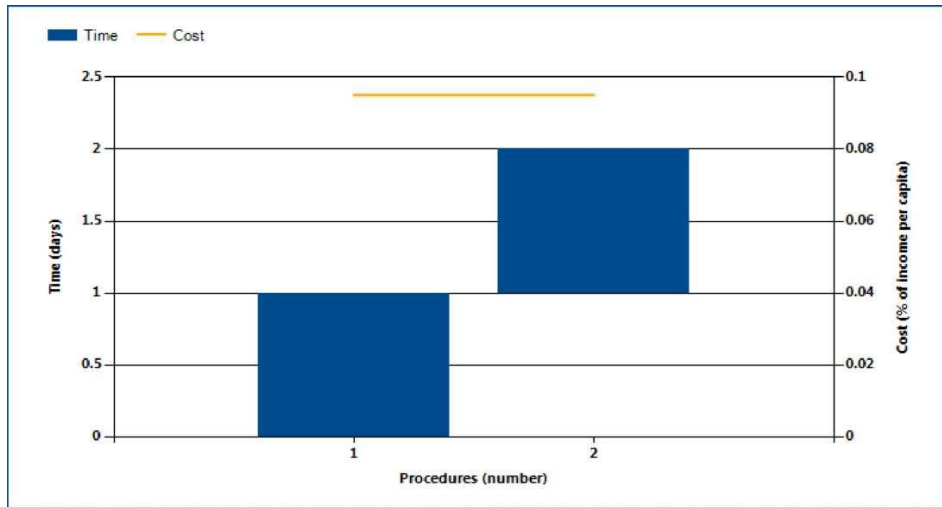


Figure 1: *Time shown in the figure above may not reflect simultaneity of procedures. Online procedures account for 0.5 days in the total time calculation. For more information on the methodology of the starting a business indicators, see the Doing Business website (<http://www.doingbusiness.org>).*

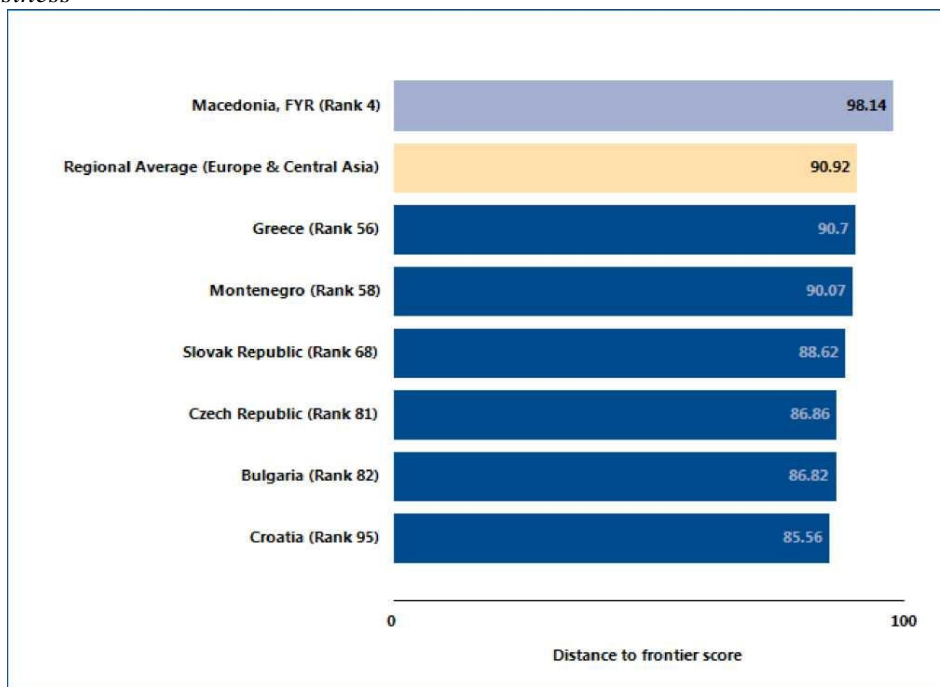
Globally, Macedonia ranks 4th out of 190 economies for ease of starting a business (Figure 3). The ranking for the compiled economies and the regional average ranking provide useful information to assess how easy it is for an entrepreneur in Macedonia to start a business (Doing Business 2017: 21).

4. Methodology and research framework

The study included an analysis of data from a survey conducted in 2016 with the main goal of assessing the approach of the process of starting a business in Macedonia, but also to see the depreciation with other economies in the region, such as Greece, Montenegro, Slovakia, the Czech Republic, Bulgaria and Croatia. In that direction, the situation examined from 2011 to 2016 was analyzed and the changes that they show are discussed.

Evaluation of the operation of the e-registration system, opening of a bank account and the request for registration of VAT. It is focused precisely on the changes and advancement of these key aspects that put Macedonia on the higher fourth place in the region (Fig. 2).

Figure 2: How Macedonia, and comparator economies rank on the ease of starting a business



Source: *Doing Business* database.

The discussion so far only emphasizes the fact that like other economies around the world, Macedonia is taking steps to simplify procedures to rationalizing businesses by establishing a one-stop-shop system, making procedures simpler or faster by introducing technology and reducing or eliminating minimum capital requirements. Many have undertaken the reform of business registration in phases - and they are often part of a larger regulatory reform program. Among the benefits is increasing pleasure and savings and more registered businesses, financial resources and job opportunities.

The analyzes show that Macedonia, starting from 2011 to 2016, implemented a set of business registration reforms (Table 2).

Year	Reform
2011	Macedonia made it easier to start a business by further improving its one-
2013	Macedonia made starting a business easier by simplifying the process for obtaining a company seal.
2015	Macedonia made starting a business easier by making online registration free of charge.
2016	Macedonia made starting a business simpler by introducing compulsory online registration carried out by certified agents.

Source: *Doing Business* database.

Note: For information on reforms in earlier years <http://www.doingbusiness.org>.

Underscoring the indicators presented so far for Macedonia, a set of specific procedures have been introduced - bureaucratic and legal steps that an entrepreneur must complete to incorporate and register a new company. They are identified through cooperation with relevant local professionals and the study of laws, regulations and publicly available information on business entry into the economy of Macedonia.

The detailed summary of these procedures, along with the time and costs spent, shows that the procedures specified for a company correspond to the standard assumptions that according to the renowned *Doing Business* studies that have been standardized in many countries in the region.

6. Conclusion

From the discussion so far, the conclusion is drawn that the high ranking of Macedonia in the region, on the issue of the facilitating approach for starting a business, is based on the following:

Through the existing system for e-registration of the Central Registry, Registration agents have a public authorization to determine the identity of the participants, so the need for notary publications is now completely eliminated. The entire procedure for registering a company is completed at the place of the registration agent.

Taxpayers who have started commercial activity during the calendar year must apply for VAT registration within 15 days of the beginning of the activity.

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