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IMPACTS OF OUTSOURCING ON PERCEIVED AND ACTUAL FINANCIAL PERFORMANS OF COMPANIES

Preliminary review

Abstract

The company must, in order to achieve growth and survival, focus on those activities and processes, in which has a certain competitive advantage and outsource those activities and processes in which the advantages have other entities in the market. Since the outsourcing relationship with the financial performance of the company is relatively poorly explored in the empirical sense, basic scientific objective of this study is to determine the legality of link between outsourcing and perceived and actual (real) financial performance of copmpanies, as well as to determine the existence of differences in the perception of managers and actual financial results when it comes to outsourcing. The survey of the relevant literature led to the conclusion that such a direct relationship does not really exist in a general form, and for this reason it is necessary to introduce one or more mediating variables in order to accurately determine the relationship of outsourcing and business performance. In the present study variable introduced to mediate outsourcing and financial performance relationship is competitive capabilities of copmpanies. Benefits of outsourcing are regarded as an independent variable that affects the mediating variable competitive capabilities of companies. Financial performance was observed through perceived financial performance and actual financial performance obtained on the basis of the calculation from the financial statements of the sampled companies.

Key words: *outsourcing, performance, financial performance*

JEL: M10, M21, L24, L25

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IMPLEMENTATION OF THE «SIX SIGMA» CONCEPT IN CROATIAN ORGANIZATIONS

Preliminary review

Abstract

Significant global, European, and even Croatian business subjects have implemented the Six sigma concept as a true “tool” with whose implementation they are making significant savings in their operations – primarily found in seeking and reducing mistakes and their causes in the business process, the quality of products and services are increased – primarily in order to increasing the customer satisfaction, through which better business results are realized. Implementation of Six sigma implies a higher competitiveness of those business subjects that have accepted the said concept as modern methodology and a critical need.

There are different experiences of business subjects of certain countries (USA, Great Britain, Slovenia, Croatia) while implementing the Six sigma methodology, depending whether it is a small organization or a big corporation, and/or the timeframe in which the data is analyzed. Such approach suggests that over time certain symptoms and weaknesses related to Six sigma have been minimized or removed, but also confirms the fact that this methodology has affirmed itself, which reflects through quantitative and qualitative indicators of entrepreneurs.

Within this paper the authors have presented the results of personal research, conducted from May 2013 until September 2013 in the case of a few large business subjects in Croatia that have implemented the Six sigma concept. The goal of this empirical research is to determine the applicability of the Six sigma concept in Croatia, determine the uses of its implementation, define the influence of Six sigma on the business operations, and formulate the research results and interpret certain suggestions and conclusions.

Key words: *concept, six sigma, methodology, entrepreneurship, business system*

JEL: L2

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PROTECTION OF INTELLECTUAL PROPERTY AND INNOVATION OF INNOVATIVE SMALL PRODUCTION FIRMS IN BOSNIA AND HERZEGOVINA

Preliminary paper

Abstract

Sustainable competitive advantage is the goal of every company, because it contributes to the above-average profit that provides what is imperative in today's competitive business world; self-preservation, and the steady growth and development of the company. It is most often the result of continuous successful use of intellectual capital, the development of innovation and introduction of innovations. Innovation and Intellectual Property are terms that often occur together and the reasons for their association and the collective or common occurrence to look for in their " nature " and the fact that almost all innovations include the intellectual property that is part of the intellectual capital of the company. The main thesis of the starting point of this paper is contained in the claim that for successful innovation management it is necessary to ensure effective protection of intellectual property contained in innovation and thus the innovation. In order to utilize the full potential and the benefits that innovation brings to them, companies must ensure the effective protection of intellectual property that has enabled the development of innovation and its successful market valuation. Namely, the companies competitors are trying in various ways to secure for themselves a part of the benefits of someone else's innovation by attempting unauthorized download, copy (imitate) or otherwise get hold of important information or the innovation. The main objective of this paper is to explore how and how effectively (by using the methods and mechanisms) small innovative manufacturing companies in Bosnia and Herzegovina protect their intellectual property and innovation.

Key words: *innovation, intellectual property, small innovative companies*

JEL: O31, O34

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NORTH AMERICAN FREE TRADE AGREEMENT (NAFTA) vs. EUROPEAN UNION IN GLOBAL TRADE

Review

Abstract

At the time when all nations try to find a way to improve international economy through economic integrations, this paper researches the concepts of NAFTA and EU regional economic integrations, and their position in global economy. The very concept of economic integrations is the union of the countries in one geographical area in a certain form of partnership with the aim to promote trade and development. North American Free Trade Agreement (NAFTA) is a good example of trade zone, whereas European Union has formed a large economic union through some phases of integration. Using this paper research results, it has been trying to achieve a primary mission of the research: to affirm free trade, as well as development of policy of competition between NAFTA and EU. The paper explains in detail the most important characteristics of NAFTA and EU, their similarities, differences, advantages and disadvantages, and position of NAFTA and EU in global economy. A special attention has been paid to the position of both associations in global trade. Statistical data on GDP increase are also presented, and participation of both organizations in the world trade.

Key words: trade, NAFTA, EU, GDP, free trade

JEL: F10, F13, F15

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ANALYSIS OF BUSINESS PROCESS ORIENTATION IN CROATIAN COMPANIES

Review

Abstract

In the last decade literature and practice show that higher levels of business process orientation lead to better business performance and because of that companies worldwide are embracing business process orientation concept. Regarding that and the fact that Croatia recently became EU member Croatian companies must rethink their current business process orientation state in order to become and stay competitive. The study of business process orientation state in Croatia included 127 big, small and medium sized companies and was conducted in 2013, in November and December. Based on the results some practical implications are given and these findings present invaluable guidelines for practitioners and academic researchers in the further development of this concept.

Key words: *business process orientation, business process orientation elements, empirical research, Croatian companies*

JEL: M15, M21

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**SPECIFIC FEATURES OF INSURANCE MARKETS:
COMPARISON OF BOSNIA AND HERZEGOVINA AND SELECTED EUROPEAN
COUNTRIES IN TERMS OF ECONOMIC CRISIS**

Review

Abstract

Subject of this research relates to the specific characteristics of the insurance market in Bosnia and Herzegovina and their comparative analysis of the characteristics of the insurance market of selected European countries in the period 2008th to 2012th year. In the first part of the paper attempts to identify the position of the insurance sector in the financial market of Bosnia and Herzegovina, and demonstrate the impact of the global economic crisis on the insurance industry. In the period of insurance premium and the structure of portfolio insurance industry in Bosnia and Herzegovina are specific and show a very different picture compared to the basic features of the insurance markets of the developed European countries. Assumptions poorly developed insurance market in Bosnia and Herzegovina prove through comparative analysis of the key indicators of development of insurance markets in the transition countries of the region and the developed European countries (insurance premiums, insurance penetration and density).

Key words: *insurance market, insurance premiums, insurance penetration and density.*

JEL: E44, G15, G22

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SUSTAINABILITY PENSION INSURANCE SYSTEM IN BIH CONDITIONS OF ECONOMIC CRISIS

Review

Abstract

This paper discusses the sustainability of the pensions system in Bosnia and Herzegovina as an extremely important category with respect to the problems of aging population, unemployment and debt. Furthermore, the paper provides an overview of the entities pension systems in Bosnia and Herzegovina and define the problems faced by individual pension schemes. Also shown are the pensions systems of some countries, such as USA, Germany and Croatia, to compare the ratio of the pension systems in these countries and Bosnia and Herzegovina. Paper gives theoretical background of pension insurance, its development through history, and classification of pension systems according to the method of financing and to the obligatory character to be assembled. The paper explores the retirement system, the state pension fund, financing methods and models and problems faced by systems. The author especially emphasizes the unsustainability of the current pension system, and the necessary reforms of the same needs. They point out the negative impacts that affect the functioning of the pensions system, such as in particular the aging population, the impact of the crisis, a weak economy, mass unemployment, globalization pressure poorly organized administration and non-compliance with laws and regulations. Particular emphasis is placed on the sustainability of the system in terms of the economic crisis, and analyzing challenges for pension insurance such as demographics, labour market implications of the pension system on the economic growth, the coverage of the pension insurance, etc.

Key words: *pension scheme, Bosnia and Herzegovina, sustainability, economic crisis.*

JEL: H5

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DEVELOPMENT AND PROSPECTS OF DIGITAL CURRENCY: THE EXAMPLE OF BITCOIN

Professional paper

Abstract

The emergence of the Internet has created the preconditions for the introduction of digital currency instead of using traditional paper money. Bitcoin is a currency that does not rely on the central bank for its issuance, the commercial banks for storage or to credit-card companies for transferring it. The success of Bitcoin is based on its advantages that ensure privacy, low transaction costs, low possibilities of counterfeiting, the stability of inflation and the like. On the other hand, the disadvantages such as lack of regulation and price volatility indicate the need for improvements and upgrades to the system in the future.

The purpose of writing this paper is to analyze the development and characteristics of digital currencies using the example of Bitcoin, and to determine the perspective of its application. Analysis of the strengths and weaknesses of Bitcoin indicates the need for modifications of perfectly liberal principles, and creating appropriate framework that would enable the acceptance and implementation of new forms of payments, but also meet the statutory provisions, particularly with regard to taxation and the prevention of illegal activities.

Key words: bitcoin, digital currency

JEL: F3

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FINANCIAL AUDITS OF INSTITUTIONS OF HIGHER EDUCATION WITH SPECIAL REFERENCE TO FACULTIES OF MEDICINE

Professional paper

Abstract

Financial reports and business are included in a financial audit of institutions of higher education. The financial audit was carried out by National Audit Office, a supreme audit institution in Croatia. Universities, colleges and art academies, as well as associate-degree colleges form the institutions of higher education. The obligation of institutions of higher education, which are the users of the budget, is to write financial reports in accordance with the regulations of financial reporting in accountancy. The aim of this paper is to make an enquiry into irregularities, which are identified in the process of audits, and impact on irregularities on expressing opinions about the business of faculties of medicine. The analysis of individual audit reports and facts that have affected the expression of opinions, has led to general conclusions. Apart from the individual audit reports, the analysis of revenues, expenses, term deposits, gross author's fees and temporary service contracts has been conducted. The empirical research data on a selected sample has also been presented. The institutions of higher education have several sources of income, the budget being the most important. The purpose of income is to meet the expenses. The most significant expenses are those for the employed. The achievements have been analyzed and the results have been compared. It is concluded about the importance of the budget as the source of financing, the share of term deposits at faculties of medicine, as well as the share of expenses for temporary service contracts and author's fees in relation to the income of institutions of higher education.

Key words: *audit, institutions of higher education, faculty of medicine, irregularities*

JEL: M42, I23