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I am pleased to inform you that this number of the Journal of Sustainable Development is a special issue related to topics that were presented on the Second International Scientific Conference on Economics and Management EMAN 2018 (March 2018, Ljubljana, Slovenia).

The Editorial board thanks the Authors that have accepted the invitation to publish their articles in the Journal of Sustainable Development.

Editor in Chief,
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ENVIRONMENTAL AWARENESS AND OF PRO-ENVIRONMENTAL CONSUMER BEHAVIOR

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ABSTRACT

The aim of the paper was to investigate consumers environmental awareness and pro-environmental attitudes and behaviour as one of the fundamental issues for saving the environment and mitigate the climate changes. For that purpose a survey was conducted by distributing questionnaires randomly among the macedonian consumers. Descriptive statistics was used to evaluate collected data.

The results indicate that the public awareness about the environmental protection, particularly the effects arising from the human activities which at most affect the climate changes, is on a very satisfactory level (WAI=0.84). In that direction, the respondents hold a positive attitude towards saving the energy in their households by utilizing energy efficient home appliances and saving the energy wherever possible. On the other hand, as indicated by the values of WAI for both, selection of the waste (WAI=0.45) and recycling/reusing of the wasted materials (WAI=0.46), respondents awareness is on a noticeably lower level.

The findings also show that the performances of the public concerning the waste minimization and energy efficiency are affected by the demographic characteristics (age, level of education and the income level) of the respondents. It was observed that generally the pro-environmental behavior is most highly expressed among the respondents from 34 to 49 years old and those ones having income between 15,000 and 30,000 mkd denars, whereas the influence of the educational backrround (high school or university diploma) is negligible. As a whole, although the environmental awareness of the public is on a satisfactory level, the proenvironmental behavior in practice is still moderate and more intensive activities have to be undertaken to induce the public to act in a more pro-environmental way.

KEYWORDS: pro-environmental behavior, environmental awareness, energy efficiency, waste minimization

JEL CLASSIFICATION: D16, P18, P28, Q59

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1. INTRODUCTION

Environmental protection, and especially the threat of climate changes, are one of the major challenges faced by our society. In order to address the environmental problems it is fundamental to understand pro-environmental behaviors in the population, as well as the factors that determine them.

The economic growth and the rise in living standards in many of the countries worldwide have been accompanied with growth in consumption which on the other hand leads to environmental deterioration. Many studies indicate that environmental deterioration was generally due to increased economic activities and increased energy and natural resources demand. However, it was also shown that although many of the countries implement environmental friendly technologies as a result of the globally consumption-oriented societies and unsustainable consumption patterns the sources of environment pollution have shifted from production to consumption processes, which has additionally caused worsening of the environmental conditions. Nowadays, the majority of environmental problems arise not only from the economic activities, but also from the lack of legal framework, economic instruments and regulations, and predominantly from the lack of environmental awareness and participation of the public in the pro-environmental behaviour for environment protection.

The environmental awareness is a very broad term referring to knowledge about environment and attitude, values and necessary skills to solve environmentally related problems. It can be defined as the ability of an individual to understand the relation existing between the human activities, the current status of environmental quality (Liu, Vedlitz and Shi, 2014; Mei, Wai and Ahamad, 2016) and individual’s willingness to take part in environment activities (Umuhire and Fang, 2016) Moreover, environmental awareness is assumed to be an important prerequisite of environmental protection (Du et al., 2018) and is considered as an initial step leading to the ability to carry on responsible citizenship behaviour (Sengupta, 2010) and a powerful tool to promote environmental policy.

The pro-environmental behaviour, on the other hand, can be defined as a complex of activities undertaken for environment protection in terms of changing consumers’ behaviour and consumption habits so that to contribute towards energy and materials conservation, biodiversity protection and ecological waste management
There is a general belief that by purchasing environmentally friendly products consumers can attribute significantly to improve the quality of environment. (Serafimova, 2016; Boztepe, 2012) Determining what people know about the environment and climate changes, how they feel about it, and what actions they take is essential to establish the sustainability of the society (Bodur and Siarigilly, 2005; Serafimova, 2016).

It was found that environmental concern can be one of the major factors in the consumers’ decision-making process when purchasing products and home appliances. In that direction, energy efficiency is considered as an important attribute in the product choice of the consumers. Although consumers behaviour is usually based on individual decisions, it also depends on the availability of energy-efficient household equipment and existence of efficiency standards and eco-labeling. Energy efficiency standards and eco-labels for household and electric appliances are the most popular and effective strategies for saving the energy and informing the consumers about the environmental impact of the product they are interested to buy (Sharma and Gupta, 2013; Serafimova, 2016; Jorgensen, 2015). However, the results presented in the consumption report of the EU (Consumers in Europe, 2009) showed that by the time the report was given only 10% of the consumers recognize the ecological product labels or green energy labels on the products sold in the supermarkets. It was observed that implementation of both, energy efficiency standard and eco-labeling, significantly contributes towards strengthening the environmental awareness as and environmental attitude. (Sharma and Gupta, 2013; Boztepe, 2012; Serafimova 2016).

Post-purchased waste is another environmental concern of great importance. One of the most successful strategies to deal with post-purchased waste is the recycling as a process of returning the waste materials to the productive system for manufacturing goods with the ultimate aim of preserving non-renewable resources. It has to be emphasized that this process goes beyond reusing a product (such as glass bottles) because it involves the return of salvaged materials, such as plastics, to an early manufacturing stage (e.g., melting and reprocessing of plastics) thereby reducing the usage of raw materials, reducing water and air pollution and reducing the waste (Banerjee, 2015). In this direction, many developing countries have developed waste recycling programs but their success depends on the public contribution and active involvement of the consumers. In order to have successful recycling projects the
consumers have to pay more attention to separation of recyclables at the source which makes the recovery process of recyclable items much easier and more cost effective than separating them at waste collection centers where recyclables can get contaminated with water, organic waste, oil, and other types of waste (Poon, Ann and Ng, 2001; Zhuang, Wu et al, 2008).

As a whole, environmental protection depends not only on the programmes implemented by regulatory bodies, but also on the daily choices made by consumers in terms of how they behave toward the environment, what they consume, or what they are willing to give up. Additionally, the extensive literature review showed that consumer's pro-environmental behaviour is greatly influenced by a diverse set of factors which generally can be grouped into socio-demographic factors with the most influential being age, gender, education level and income level (Benedek, 2015; Bronfman et al. 2015), marital status (Boztepe, 2012) and non-demographic factors like the willingness to pay for “green products” (Benedek, 2015) green product features, green product prices, green product advertisements (Boztepe, 2012).

Many of the studies imply that age is an important predictor of pro-environmental behavior. While some have concluded that older people are more concerned in the environment than younger ones (Raudsepp, 2001; Shen, 2008), others have found that younger people demonstrate a greater sense of obligation to the environment (Jones, 1992; Cottrell, 2003; Van Liere, 1980; Dietz, 1998). However, the relationship between age and environmental behavior depends on the specific behavior under study. Diekmann et al. (Diekmann, 1998) found a negative relationship between age and recycling (older people are less willing to participate in recycling activities), but a positive relationship between age and ecological automobile use (older people are more willing to use automobiles less frequently).

When the influence of the gender is concerned the women practice a lifestyle that is more environmentally friendly by devoting more attention to pro-environmental behaviors such as recycling, buying organic products and reducing automobile usage Raudsepp, 2001; Blocker, 1997; Tindall, 2003; Chen, 2011; Diekmann, 1998; Xiao, 2010; Xiao, 2014). Regarding the influence of the educational background it was observed that in general there is a positive relationship between education level and environmental awareness implying that more educated people tend to be more concerned for the environment and more willing to contribute
towards the pro-environmental behaviors (Blocker, Eckberg, 1997; Tindall, Davies, Manboules, 2003; Chen et al., 2011; Diekmann, 1998; Xiao, Hong, 2010; Xiao, McCright, 2014).

The findings about the influence of the income level on the pro-environmental behaviour of the public are very diverse (Shen, Saijo, 2008; Poortinga, Steg, Values, 2004) have shown that as the income rises the concern about the environment is also rising, where the opposite was concluded in the study of Cottrell (Cottrell, 2003) who indicated that the relation between the income level and the environmental concern is negative. Having in mind all of the above, studying consumers pro-environmental attitudes and behaviors and the factors affecting them is fundamental for mitigating the climate changes and enabling save environment and overall wellbeing.

The present research examines the demographic factors that influence environmentally conscious attitudes and actual environment-conscious behaviour by investigating the following issues:
- Public awareness of environmental protection and climate changes
- Saving energy and energy efficiency practices
- Waste minimization practices

2. DATA AND METHODOLOGY

The aim of the paper was to study the public environmental awareness and consumer’s attitude and behaviour towards implementation of the most common environmental practices in R. Macedonia. For the purpose of assessing consumer’s environmentally conscious attitudes and actual environment-conscious behaviour a structured questionnaire, consisted of two sections with close-ended questions, was developed.

The first section enquired about demographic data of respondents as follows: Age (18-33, 34-49, 50-65, >65), Education background (primary school diploma, secondary school diploma, university diploma), Income level (<15.000 mkd, 15.000-30.000 mkd, >30.000 mkd).

The second section of the questionnaire asked respondents to choose, on a 5-point Likert scale ranging from strongly agree (given a weight of 5) to strongly disagree (given a weight of 1), the best option that corresponds to their attitude or practices relating to the awareness of climate changes, energy efficiency and waste
minimization. These statements were as follows:

S1. I am aware about the climate changes arising from the human activites.
S2. I pay attention to saving energy in my daily life.
S3. I pay attention to the energy efficiency when purchasing home appliances.
S4. I select the waste.
S5. I recycle/reuse the packaging from goods.
S6. I often use plastic bags during shopping in supermarkets.

The investigation was carried out within the area of the country in the period February-April, 2017. Respondents were chosen at random and 150 questionaires were circulated to the public. 130 questionnaires were filled in, 18 of them were discarded due to invalid or missing responses, whereas the remaining 112 were further processed. Participation rate was about 86% while no information was collected on non-respondents.

Descriptive statistics were used first to explore the responses. The opinions of respondents, were transformed from a nominal scale into numeric scores by applying the weighted average index (WAI) given with the following expression (Pakzad and Osmond, 2017; Pumpinyo and Nitivattananon, 2014):

\[ WAI = \frac{\sum f_i w_i}{N} \] (1)

where:
- \( f_i \) denotes the frequency of the i-th observation,
- \( w_i \) refers to the weight of each of the Likert score values assigned as follows:
  - \( w_1 = 0.2 \) for Strongly disagree (1),
  - \( w_2 = 0.4 \) for Disagree (2),
  - \( w_3 = 0.6 \) for Nor agree, nor disagree (3),
  - \( w_4 = 0.8 \) for Agree (4),
  - \( w_5 = 1 \) for Strongly agree (5)

The values of WAI range from 0 to 1 (0 ≤ WAI ≤ 1), the closer the WAI value is to 1, the respondent agrees more with the respective statement/question. The WAI scores were classified into five levels as follows: 0–0.20 indicates very poor agreement, 0.21–0.40 indicates poor agreement, 0.41–0.60 indicates moderate agreement, 0.61–0.80 indicates good agreement, 0.81–1 indicates very good with the respective question.
3. RESEARCH FINDINGS

3.1. Demographic features of respondents

Demographic characteristics of those who responded to the survey are given in Table 1. As can be seen respondents represented a wide variety of people in terms of all investigated demographic characteristics. 37.5% of the respondents were from 34 to 49 years old, 32.1% had from 18 to 33 years, 26.8% were from 50 to 65 years old, whereas the remaining 3.6% were above 66 years old. Concerning the educational background, the participants had high school and university diploma, 48.2% and 51.8%, respectively. The majority of the participants (55.4%) had income level from 15.000 to 30.000 mkd denars, 36% had income above 30.000 denars, and only 12.5% were earning below 15.000 denars per month (Table 1).

Table 1. Demographic characteristics of respondents

<table>
<thead>
<tr>
<th>Age</th>
<th>N</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-33</td>
<td>36</td>
<td>32.1</td>
</tr>
<tr>
<td>34-49</td>
<td>42</td>
<td>37.5</td>
</tr>
<tr>
<td>50-65</td>
<td>30</td>
<td>26.8</td>
</tr>
<tr>
<td>Above 66</td>
<td>4</td>
<td>3.6</td>
</tr>
<tr>
<td>Education background</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primary school diploma</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>High school diploma</td>
<td>54</td>
<td>48.2</td>
</tr>
<tr>
<td>University diploma</td>
<td>58</td>
<td>51.8</td>
</tr>
<tr>
<td>Income level (mkd denars)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Up to 15.000</td>
<td>14</td>
<td>12.5</td>
</tr>
<tr>
<td>15.000-30.000</td>
<td>62</td>
<td>55.4</td>
</tr>
<tr>
<td>Above 30.000</td>
<td>36</td>
<td>32.1</td>
</tr>
</tbody>
</table>

Responses to the second section of the questionnaire are given in Table 2. These data were further transformed from a nominal scale into numeric scores by calculating the WAI (Table 3).
Table 2. Summary of the questionnaire responses on a nominal scale

<table>
<thead>
<tr>
<th>Rating on the Likert scale</th>
<th>Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>S1</td>
</tr>
<tr>
<td>1-strongly disagree</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>9</td>
</tr>
<tr>
<td>3</td>
<td>8</td>
</tr>
<tr>
<td>4</td>
<td>40</td>
</tr>
<tr>
<td>5-strongly agree</td>
<td>54</td>
</tr>
</tbody>
</table>

Table 3. Numeric scores of the responses

<table>
<thead>
<tr>
<th>Question</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Q5</th>
<th>Q6</th>
</tr>
</thead>
<tbody>
<tr>
<td>WAI*</td>
<td>0.84</td>
<td>0.70</td>
<td>0.70</td>
<td>0.45</td>
<td>0.46</td>
<td>0.80</td>
</tr>
</tbody>
</table>

*The closer the value is to 1.00, the respondents agree more with the stated question
* WAI: 0–0.20 = very poor; 0.21–0.40 = poor; 0.41–0.60 = moderate; 0.61–0.80 = good; 0.81–1 = very good.

The results presented in Table 3 indicate that the public awareness about the importance of the environmental protection and especially about the human activities that highly influence the climate changes is on a very satisfactory level (WAI=0.84). In that direction, the respondents hold a positive attitude towards saving the energy in their households by utilizing energy efficient home appliances (WAI=0.70) and saving the energy wherever possible (WAI=0.70). On the other hand, the lower WAI values imply that respondents moderately practice selection of the waste (WAI=0.45) and recycling or reusing of the materials (WAI=0.46). It can be also observed that the respondents very often usa plastic bags during shopping in supermarkets (WAI=0.80) indicating that they do not care much about the minimization of the plastic waste.

The level of agreement among respondents, depending on their age, level of education and income, expressed in terms of the WAI, is presented in Table 4 and more detailed analysis of the key investigated aspects is given in the text below.
Table 4. WAI of responses depending on the demographic features of respondents

<table>
<thead>
<tr>
<th></th>
<th>Age 18-33</th>
<th>34-49</th>
<th>50-65</th>
<th>&gt;66</th>
<th>Education</th>
<th>Income level (MKD)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>High school</td>
<td>University</td>
<td>&lt;15.000</td>
<td>15.000-30.000</td>
<td>&gt;30.000</td>
<td></td>
</tr>
<tr>
<td>S1</td>
<td>0.52</td>
<td>0.62</td>
<td>0.46</td>
<td>0.05</td>
<td>0.79</td>
<td>0.85</td>
</tr>
<tr>
<td>S2</td>
<td>0.46</td>
<td>0.60</td>
<td>0.40</td>
<td>0.04</td>
<td>0.74</td>
<td>0.76</td>
</tr>
<tr>
<td>S3</td>
<td>0.47</td>
<td>0.57</td>
<td>0.41</td>
<td>0.05</td>
<td>0.74</td>
<td>0.76</td>
</tr>
<tr>
<td>S4</td>
<td>0.39</td>
<td>0.51</td>
<td>0.31</td>
<td>0.04</td>
<td>0.64</td>
<td>0.61</td>
</tr>
<tr>
<td>S5</td>
<td>0.42</td>
<td>0.47</td>
<td>0.33</td>
<td>0.04</td>
<td>0.62</td>
<td>0.64</td>
</tr>
<tr>
<td>S6</td>
<td>0.51</td>
<td>0.61</td>
<td>0.42</td>
<td>0.06</td>
<td>0.76</td>
<td>0.84</td>
</tr>
</tbody>
</table>

* WAI: 0–0.20 = very poor; 0.21–0.40 = poor; 0.41–0.60 = moderate; 0.61–0.80 = good; 0.81–1 = very good.

3.2. Public awareness of environmental protection and climate changes

The results indicate that the public is aware about the importance of the environmental protection and especially about the human activities that highly influence the climate changes nowadays (Table 3). 54% of the respondents declared that they are “fully aware about the climate changes arising from the activites of humans during their daily lifes”, only 9% were slightly familiar with the environmental protection and the climate changes, whereas there are no respondents that are non-familiar at all with both, the environmental protection and climate changes (Figure 1). The environmental consciousness is most highly expressed among the respondents aging from 34 to 49 years (WAI=0.62) and those respondents possessing university educational qualifications (WAI=0.85) (Table 3), although the respondents with high school diploma are also much aware about the environment and the climate changes arising from the human activities. The role of income was considered as not relevant for this point of view. Hence these data were not processed.
3.3. Saving energy and energy efficiency

The responses of Statements 2 and 3 were used to analyze the public behaviour with regard to efficient energy use. The results showed that more than half of the respondents pay special attention to save the energy in their daily life, whereas only about 11.6% don't pay attention at all (Figure 2). Consistent results were observed when the aspect of buying energy efficient home appliances was analysed. It was noticed that respondents are very careful when they purchase electrical equipment for their households. About 63.4% of the respondents ("agree" and "strongly agree") noted that they purchase energy efficient electrical equipment and 19.82% don't pay attention to this issue (Figure 2). Furthermore, the WAI values of 0.60, 0.76 and 0.81, respectively, show that the respondents aging from 34 to 49 years, ones that have university diploma and income level between 15000 and 30000 denars pay more attention to save the energy in their daily lives compared to the other classes in their group (Table 4).

Figure 2. Public awareness about efficient energy use

![Figure 2](image-url)
3.4. Waste and waste minimization

Respondents' behaviour after purchase is analysed using the answers of the fourth, fifth, and sixth statements. The results indicate that the public awareness with regard to saving the environment by minimizing waste is at a very low level. It was observed that more than half of the respondents, 65.2% and 60.71%, do not select the waste and do not recycle/reuse the packages from goods, respectively. Only 5.35% of the respondents have the habit to sort the waste and recycle and reuse the packagings (Figure 3). Additionally, the results obtained from the answers of the statement 6 illustrate that a great number of respondents (about 78.6%) often use plastic bags during shopping in supermarkets (Figure 3).

Figure 3. Waste minimization habits of the respondents

Respondents from 34 to 49 years old, with higher education diploma and income from 15,000 to 3000 denars are the ones that mostly do not pay attention to waste selection and waste minimization (Tables 4 and 5). Similar results were obtained when the recycling/reusing issue was concerned but for the sake of brevity, they are not presented within the paper.

As a whole, the results imply that although the environmental awareness of the public is on a satisfactory level, the environmental practice is still moderate. But, in order to investigate if there is a correlation between the environmental awareness and the environmental practice, and how it is affected by other factors, further research is
needed. At the time being the results presented within this paper show that the behaviour of the respondents is more “economical consumption behaviour” rather than “conservation conscious behaviour”. In some previous studies (Bronfman et al., 2015) it was stated that increases in knowledge and awareness did not lead to pro-environmental behavior. It was pointed out that changing behavior is very difficult even if new behavior has distinct advantages over the old one.

4. CONCLUSION

The aim of the paper was to study consumer’s environmental awareness and actual pro-environmental behaviour. The pro-environmental activities of the public were assessed by evaluating consumers attitudes and behaviour concerning efficient use of the energy and waste minimization practices. The public awareness about the environmental protection and climate changes was also investigated.

Based on the findings it can be concluded that the public is familiar with the climate changes and especially with the human activities that greatly influence the climate changes. In general, the respondents hold a positive attitude towards saving the energy in their households by utilizing energy efficient appliances and saving the energy wherever possible. But, on the other hand, they do not practice often selection of the waste, nor recycling and reusing of the used materials. In order to fill the gap between awareness and action in practice several factors have to be beared in mind: the personal norms and habits, external conditions and the social context. So far, an “economical consumption behaviour” rather than “conservation conscious behaviour” was noticed and a lot efforts have to be put into action in order to change this situation. The performance of consumers pro-environmental activities greatly depends on the age, level of education and income level of consumers.

The results urge the necessity for the governments to raise the environmental awareness and promote a friendly approach for saving the environment more intensively, especially among the younger population since it was observed that this particular group is lacking the initiative for undertaking pro-environmental activities.
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ANALYSIS OF EMERGING BUSINESS MODELS OF COMPANIES IN THE ERA OF THE DIGITAL ECONOMY

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ABSTRACT

The emergence of digital technologies has led to the rise of a digital economy which is impacting and transforming whole segments of industry especially the business models. This paper investigated and analysed the emerging business models in companies within the framework of the digital economy and the transformations being initiated by digital technologies. The research provides answers to the questions regarding business model use cases that are being adopted by companies in the era of the digital economy, and how companies are adapting their business models and operations in order to become more responsive to the needs of a digital economy on the one hand, while maintaining their competitiveness on the other. The research was conducted using a quantitative methodological approach, with an online questionnaire consisting of 10 questions that were oriented towards digital technologies and information management within an organisation. There was also a review of relevant business and academic literature on the subjects of digital transformation, and digital economy.

KEYWORDS: Business models; Digitalization; Digital technologies; Digital transformation; Digital economy; Quantitative research

JEL CLASSIFICATION: 03

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INTRODUCTION

The transformative effects of digital technologies within industry is noticeable in what is described as "Digitalisation" - digital transformation of organisations and their business model through the adoption and use of digital technologies. Hence, as economies and societies adjust to new horizons and opportunities, space opens up for businesses to imagine ways of doing things that solve problems for their customers better than has been possible before (Greer, 2017, p. 5). Li (2018, p. 1) is of the opinion that "digital technologies to play a critical enabling role in facilitating business model innovations in different sectors."

Also, the outcome of successful digital transformation within the manufacturing industrial sector is described by the phenomenon of 'Industry 4.0' which basically is about the digitisation through the adoption and implementation of digital technologies within the manufacturing sector. It requires the integration of cyber-physical systems (CPS) in manufacturing and logistics while introducing the Internet of Things (IoT) and services in manufacturing processes (Gilchrist, 2016; Kavadias, Ladas, Loch, Castelao, & Org, 2016; Pfohl, Yahsi, & Kuznaz, 2015; Wee, Kelly, Cattel, & Breunig, 2015). The theoretical discussions around business models has been developing rapidly, with strong interest from both academics and business leaders (Li, 2018). Companies are seeking new ways to unlock value through new business models or reinventing existing ones to meet the ever changing demands of customers, based on the fact that proactive customer orientation has been found to be the most consistent driver for both customer value and gaining a competitive advantage in the digital era (Von Leipzig et al., 2017, p. 518).

This paper aims to investigate and analyse emerging business models in companies within the framework of the digital economy and the transformations being initiated by these digital technologies. The research will attempt to provide answers to the following research questions: what business model use cases are being adopted by companies in the era of the digital economy? And how are companies adapting their business models and operations in order to become more responsive to the needs of the digital economy, while maintaining their competitiveness?
LITERATURE REVIEW

The concept of business models generally refers to the architecture of a business or the way a firm structures its activities in order to create and capture value for itself. It is a conceptual model that deals with how a company creates and delivers value to its customers; business models fulfil an important role of transforming organisational resources into economic value (Ghezzi, 2012; Hanafizadeh, Mehrabioun, Badie, & Soofi, 2017). Digital technologies are regarded as critical catalysts that are currently facilitating business model innovations in different sectors (Li, 2018).

Greer (2017) argues that there are five key factors that have elevated the importance of business models to entrepreneurs, they are: falling cost of technology, the rise of 'start-up culture', the emergence of new tools, networked capital, and a changing world. In terms of business models well suited to the digital era, he selects six business models for their breadth, diversity and interconnectedness, the models are: platform-based business, mass customisation 2.0, frugal, modern barter, pay what you want, and mega-hyperlocal.

Li (2018, p. 4) approaches the subject by exploring how digital technologies change business models. He argues that the impact of digital technologies are seen in the way they automate, extend, and transform business models – for automation, it refers to how a firm uses digital technologies to automate or enhance existing activities; extension refers to how a firm uses digital technologies to support new ways of conducting business; while transformation refers to how digital technologies are used to enable new ways of conducting business to replace traditional ones.

Also, Kavadias et al. (2016) did an analysis of 40 business models and based on the results obtained, they developed a classification that split the 40 models into six broad categories described as ‘six keys to success’ using factors that linked technologies to markets based on this six categories of business models analysed. Kavadias et al. (2016) proposed the following categories for business models which they argued are well suited to the digital era: Personalisation, Closed-loop, Asset sharing, Usage-based pricing, Collaborative ecosystem and Agility.
Other authors (Ekekwe, 2017; Gawer & Evans, 2016; Ghezzi, 2012; Lewandowski, 2016; Linder & Willander, 2017) adopt a more direct approach in focusing on business models in niche segments such as the circular economy and platform economy business models. For the platform economy model, digital platforms have a central feature which is the presence of network effects. There are basically four types of platforms: transactional, innovation, investment, and integrated. However, most platforms are digital: they capture, transmit and monetize data, including personal data, over the Internet. Digital Platforms create value in two principal ways: firstly, there are the transaction platforms which facilitates transactions between different types of individuals and organizations that would otherwise have challenges finding each other; secondly, there are the innovation platforms, they consist of technological building blocks that are used as a foundation on top of which a large number of innovators can develop complementary services or products (Gawer & Evans, 2016).

The platform economy model relies on the network effect to create a two-sided market that brings together those who are in need and those who have the resources to satisfy those needs. This characteristic of the platform economy model is in line with the asset sharing component of the ‘Six Keys to Success’ framework put forward by

**Figure 1: The Six Keys to Success**

![Diagram of the Six Keys to Success]

Source: Kavadias et al. (2016)
Kavadias et al. (2016), it is also described as the “Aggregation Construct” - under the aggregation construct, the companies that control the value are not usually the ones that created them (Ekekwe, 2017).

METHODOLOGY

The research employs a quantitative methodology. The collection of primary data was done with the use of an online questionnaire consisting of 10 questions that were oriented towards digital technologies and information management within an organisation (see appendix for questionnaire template). This was supported by review of relevant business and academic literature on the subjects of digital transformation, and digital economy. The focus of the survey questions extended beyond the traditional use of ICTs within a company but more towards how companies were aligning their business models towards taking advantage of opportunities offered by digital technologies and how they can digitally transform their organisation.

The survey was conducted over a period of 30 days, with respondents from 60 companies spread across 17 different countries; the respondents were randomly selected without prejudice to geography. The data was analysed using basic statistical analysis, and results presented in the results section of the paper. A major limitation that was encountered by the research was the limited time that impacted on the ability to obtain a bigger sample size for survey respondents. The result achieved is based on data obtained from responses in 60 companies which is sufficient to verify the methodology of the research. However, it is intended that the research will be continued in the future to ensure a more robust coverage of geographies and industry segments.

RESEARCH RESULTS

The survey was distributed electronically to selected respondents through an online questionnaire setup on Google forms; it ran for duration of 30 days, with 60 respondents completing the survey. Respondents were selected based on their professional profile and work experience; respondents were persons in managerial positions, especially those with extensive work experience in the Information Systems functions of their organizations. The geographical distribution of survey respondents is as follows (the most important): Netherlands (14), Nigeria (14), United States of America (7), Germany (6), Canada (3), and Great Britain (3), 17 countries together. All
sizes of companies ranging from small, medium enterprises (SMEs) to large multinational corporations were covered in the survey.

**Figure 2: Digital Technologies business model use case at the companies covered in survey.**

![Bar chart showing scores for different business model factors]

The observable pattern in data analysed is as follows: firstly, there is a high adoption rate of digital technologies within large multinational corporations, with high level of sophistication in how these technologies were integrated into their operations and with other information systems (see figure 2 above). This placed them at a higher level in the digitalisation of business models and operations journey. This is an indication of a deep understanding of the importance and prioritization of reinventing their business models and organisations to be aligned with the demands of the digital era. Secondly, smaller companies seemed to lack the understanding of the importance of developing new business models or adopting already tested business models well aligned with the demands of the digital era. They had a lower adoption rates and had their adoption of digital technologies in more fragmented manner that was often restricted to certain functional areas such as moving vital assets to the cloud or use of social media in engaging with their customers.

A high rate of adoption of social media is observed across all company sizes covered in the survey (77.8%). This can be attributed to its usefulness in achieving effective customer engagement and brand management. The business model use case scenario presents an interesting outcome from the survey result. Business models aligned with factors of personalisation (68%) and agility (52%) witnessed a higher
adoption rate when compared with the other factors, while those that were aligned with usage-based pricing (30%) and closed loop (36%) witnessed the lowest adoption rates.

**DISCUSSION AND CONCLUSION**

The results of the analysis of primary and secondary data used in the research reveals quite interesting realities regarding the trend emerging business models in the era of the digital economy. In response to the primary research question on what business model use cases are being adopted by companies in the era of the digital economy? Results show that business model use cases that enable companies to improve personalisation of their product and service offerings, become more agile, and offer asset sharing are the most common among companies covered by the survey. Taking a close look at how digital technologies have transformed certain industry segments, then it becomes easier to understand the seismic shift towards these business model use cases. Replication of tested methods is the normative practice in the business world especially when the barriers to entry are not so high to restrict others from copying. Coincidentally, digital technologies have been known to also reduce or even eliminate the barriers to entry for certain markets and industries. On how companies are adapting their business models and operations to be repositioned for competitiveness, the evidence from analysis of survey data indicates that companies are rethinking and realigning their traditional business models at different pace to be better positioned for competition and sustainable growth in the era of the digital economy. Analysis of primary data from the research does not reveal how each company is going about their effort to reposition themselves.

The research limitation is the inadequacy of time to conduct a deeper analysis based on wider data gathering, and the absence of qualitative analysis that would have benefited from expert interviews with a wide range of industry top management industry professionals. This would have helped in giving more contexts to the quantitative data analysis. Therefore, it is important that future research be conducted to explore other issues not covered in this research, one of which might want to focus on understanding how companies are repositioning themselves for competitiveness in the light of challenges and opportunities inherent in the digital economy.
ACKNOWLEDGEMENTS

The research is supported by funding provided for IGA/FaME/2018/005 - Process management model proposal for implementation of Industry 4.0 in SMEs.

REFERENCES

## Appendix - Survey questionnaire

<table>
<thead>
<tr>
<th>S/N</th>
<th>Question</th>
<th>Options</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Name of company</td>
<td>Open option</td>
</tr>
<tr>
<td>2</td>
<td>Number of employees</td>
<td>1-10</td>
</tr>
<tr>
<td></td>
<td></td>
<td>11-50</td>
</tr>
<tr>
<td></td>
<td></td>
<td>51-500</td>
</tr>
<tr>
<td></td>
<td></td>
<td>501-1000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Above 1000</td>
</tr>
<tr>
<td>3</td>
<td>Location of company</td>
<td>Option from list of countries</td>
</tr>
<tr>
<td>4</td>
<td>Does your company have an Information Strategy Policy Implemented? Yes/No (If Yes, answer questions 5; if No, move to question 6). Include year of adoption</td>
<td>Yes/No</td>
</tr>
<tr>
<td>5</td>
<td>What year was it last updated?</td>
<td>Option from list of years</td>
</tr>
<tr>
<td>6</td>
<td>Information Systems (IS) is responsible for recording, processing, summarising, and reporting information. Types of information include: industry, economic, and regulatory information obtained from external sources, as well as internally generated information. Does the organisation have a standardised IS procedure implemented?</td>
<td>Yes/No</td>
</tr>
<tr>
<td>7</td>
<td>Do you have more IS? Are they able to work in cooperation (integrated)?</td>
<td>Yes/No</td>
</tr>
<tr>
<td>8</td>
<td>Does your company adopt digital technologies for the purpose of achieving digital transformation of key organizational components such as business models, marketing activities, customer engagement, management of supply chain, internal processes, etc.? (If Yes, answer next questions; if No, ignore next questions)</td>
<td>Yes/No</td>
</tr>
<tr>
<td>9</td>
<td>Which digital technologies adopted your company?</td>
<td>• Document Management System (DMS)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Business Intelligence and data analytics software</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Artificial intelligence and robotics</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Cloud computing</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Mobile access to IS</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• In memory computing</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• 3D printing</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Internet of Things (IoT)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Social media</td>
</tr>
</tbody>
</table>
The following Innovation Success Use Cases (within industry) capture various Digital Technologies applicable to them. Select all options currently being used in your company

- Personalisation: sensing, interfacing, and material technologies; platforms for connecting devices; mobility and cloud technologies; decentralised small-scale manufacturing (3D printing).
- Closed Loop: sensing, interfacing, and material technologies; platforms for connecting devices; mobility and cloud technologies; decentralised small-scale manufacturing (3D printing).
- Asset Sharing: sensing, interfacing, and material technologies; Optimising technologies (AI, big data, robotics); mobility and cloud technologies; decentralised small-scale manufacturing (3D printing).
- Usage-based Pricing: sensing, interfacing, and material technologies; platforms for connecting devices; mobility and cloud technologies.
- Collaborative Ecosystems: optimisation technologies (AI, big data, robotics).
- Agility: optimisation technologies (AI, big data, robotics); decentralised small-scale manufacturing (3D printing).
THE IMPORTANCE OF THE APPLICATION OF THE QUALITY MANAGEMENT SYSTEM ISO 9001 IN TOURISM

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1Montenegro Tourism School, Mediterranea University, Josipa Broza bb, 81000 Podgorica, Montenegro

ABSTRACT
In the conditions of globalization and prominent strong market competition, orientation towards the quality is becoming an imperative to successful business of companies in service providing sector, particularly in the area of tourism. Quality is an indicator of value and a strong tool which improves competitiveness of service providing companies, not only in domestic, but also in the foreign market as well. This is why implementation of standards created by International Standardization Organization has strategic importance for all future undertakings of the mentioned companies. It is the aim of this paper to point out to the significance of application of quality management system in tourism (ISO 9001), with particular review on the Montenegrin market. This paper uses desk research to investigate the pleasure with the quality of hotel services on a random sample which consists of 30 Montenegrin four-star (4*) and five-star (5*) hotels, while the method of telephone interviews was used to carry out the research of the degree of using standards in sampled hotels. The research results have shown that Montenegrin hotels mostly apply the internal standards, that there is a small number of those who apply ISO 9001, that the quality of hotel services is satisfactory, but that the quality level would be much higher if the hotels implemented ISO 9001 to a larger extent.

KEYWORDS: quality, standards, management quality system, tourism

JEL CLASSIFICATION: Z3

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1. INTRODUCTION

In everyday speech, quality relates to something worthy, something perfect, without any failures, something that passes the expectations of product or service users. Quality is a term that intrigues all of us, both in economical and social sphere. There are different approaches in defining quality, but there is no universal definition of this term. According to Kotler, quality represents "the totality of features in products or services which arise from their ability to satisfy the existing or implied customer needs" (Barjaktarovic, 2013; Kotler, Bowen & Makens, 2006). International Standardization Organization (ISO) defines quality as "the degree to which a set of inherent characteristics fulfils a need or expectation that is stated, generally implied or obligatory" (Hoyle, 2001). Quality is additionally defined as "creation of services that shall best succeed to meet the desires, needs and expectations of a user of such service" (Vujko, Vujnić, Gajić & Petrović, 2016; Radosavljevic, 2009). Companies tend to focus on quality, especially in the area of tourism concerning that it is a strong tool attracting new product or service users in the conditions of strong market competition. This paper shall particularly emphasize the importance and implementation of quality system management, focusing the attention on the Montenegrin touristic market.

2. QUALITY MANAGEMENT SYSTEM ISO 9001

In times of constant changes, many companies worldwide opt for quality management, since it is a recognizable way for more efficient and effective business, which is simultaneously the only sure way to a satisfied customer or consumer. The literature defines quality management as the way "how an organization can meet the demands of its customers and other stakeholders affected by its work" (ISO, 2015). Quality Management System that is established in compliance with ISO 9001 standard represents a multiple benefit for enterprises both at the internal and external levels in relation to the business environment. The international standard ISO 9001 can be applied in every organization, regardless of the size, type and other features of such an organization. The basic principles which are the base of quality management are: "customer focus; strategic focus; leadership focus; process focus; people focus; scientific focus; continuous improvement, innovation and learning; system thinking" (Graeme, 2011). Whether an enterprise will implement the ISO 9001 standard
depends on the management of that company, which must be fully aware of the requirements, benefits and costs that the ISO 9001 standard imposes. Certification is not mandatory, which means that many companies use the standard with the aim to improve their mode of operation, although they are not certified. However, certified companies send a signal both to customers and suppliers, as well as other stakeholders that the company performs its activities properly and in accordance with international standards (ISO, 2015).

According to the International Organization for Standardization, over a million companies and organizations all over the world are certified according to ISO 9001. The top 5 economies, whose companies saw the most benefits from the Quality Management System in 2016 (Table 1) include: China, Italy, Germany, Japan and the United Kingdom. The first place, with the largest number of active ISO 9001 certificates in 2016 is held by China with 350631, which clearly confirms that it is an economy with strong development over the last few decades, the second place is held by Italy with 150143, while in third place is held by Germany with 66233 ISO 9001 certificates.

**Table 1 – Top 5 countries for ISO 9001 certificates in 2016**

<table>
<thead>
<tr>
<th></th>
<th>Country</th>
<th>Certificates</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>China</td>
<td>350631</td>
</tr>
<tr>
<td>2</td>
<td>Italy</td>
<td>150143</td>
</tr>
<tr>
<td>3</td>
<td>Germany</td>
<td>66233</td>
</tr>
<tr>
<td>4</td>
<td>Japan</td>
<td>49429</td>
</tr>
<tr>
<td>5</td>
<td>United Kingdom</td>
<td>37901</td>
</tr>
</tbody>
</table>

Source: Author’s calculation based on data of ISO

If we analyze the data of the regional share of ISO 9001 certificates in 2016 (Graph 1), it is noted that the largest share of ISO 9001 certificates in 2016 in the world is in East Asia and Pacific as high as 43.40%, Europe had 40.80%, and Central and South America 4.70%, while Africa had the smallest share with 1.20%.
The display of the number of certificates ISO 9001 in countries of Western Balkans for the period 2010-2016 is given in Table 2. It is noted that the total number of certificates ISO 9001 in 2010 for mentioned countries was 5306, and in 2016 it was 7406 that is, the increase occurred by approximately 39%. In the group of these countries Serbia particularly stands out by the number of ISO 9001, since in 2016 that number reached even 3017 or around 40.7% of the total number of certificates ISO 9001 for this group of countries, while Croatia holds the second place with 2659 or 35.9%. Montenegro is at the last place 92 number of certificates ISO 9001 for 2016, which is 1,2% of the total number of active ISO 9001 standards of the mentioned group of countries. The data point out that Montenegro should work more on improving the consciousness and general knowledge on quality, as well as promotion of significance of implementing international standard ISO 9001. Nowadays the market imposes a thesis that it is not solely important to be oriented towards quality, but it is important to have the proof of quality, that is, to own an ISO 9001 certificate.
Table 2 – Number of certificates ISO 9001 in country of Western Balkans

<table>
<thead>
<tr>
<th></th>
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<th></th>
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<tbody>
<tr>
<td>Total:</td>
<td>5306</td>
<td>7064</td>
<td>7220</td>
<td>6480</td>
<td>7036</td>
<td>6557</td>
<td>7406</td>
</tr>
<tr>
<td>Bosnia and Herzegovina</td>
<td>944</td>
<td>1119</td>
<td>1239</td>
<td>794</td>
<td>846</td>
<td>790</td>
<td>1037</td>
</tr>
<tr>
<td>Croatia</td>
<td>2102</td>
<td>2117</td>
<td>2584</td>
<td>2636</td>
<td>2806</td>
<td>2529</td>
<td>2659</td>
</tr>
<tr>
<td>Montenegro</td>
<td>85</td>
<td>146</td>
<td>102</td>
<td>118</td>
<td>130</td>
<td>84</td>
<td>92</td>
</tr>
<tr>
<td>Serbia</td>
<td>1790</td>
<td>3228</td>
<td>2750</td>
<td>2366</td>
<td>2637</td>
<td>2512</td>
<td>3017</td>
</tr>
<tr>
<td>The Former Yugoslav Republic of Macedonia</td>
<td>333</td>
<td>290</td>
<td>396</td>
<td>399</td>
<td>446</td>
<td>363</td>
<td>286</td>
</tr>
<tr>
<td>Albania</td>
<td>52</td>
<td>164</td>
<td>149</td>
<td>167</td>
<td>171</td>
<td>279</td>
<td>315</td>
</tr>
</tbody>
</table>

Source: Author's calculation based on data of ISO

Top 5 industrial sectors with ISO 9001 certificates in 2016 (shown in the Graph 2) include: sector for basic metal & fabricated metal products with 104652 ISO 9001 certificates, sector for electrical and optical equipment with 75260 certificates, sector for construction with 67354 certificates, sector for wholesale & retail trade; repairs of motor vehicles, motorcycles & personal & household goods with 66975, and sector for machinery and equipment with 56413 ISO certificates.

Graph 2. Top five industrial sectors for ISO 9001 certificates in 2016

Source: Author's calculation based on data of ISO

Graph 3 clearly shows the situation with number of ISO 9001 certificates in the sector of hotels and restaurants, for the period 1998-2016. A significant growth in the number of ISO 9001 certificates can be seen for the given period, where in 1998 that number was 865, while in 2016 it was as high as 5398 ISO 9001 certificates.
The information on increase in the number of certificates in the mentioned sector brings hope that more hotels and companies in the area of worldwide tourism is oriented towards quality, that is, the guest or consumers with the aim of exceeding their wishes and expectations, and all of it in accordance with internationally recognized standards.

3. DATA AND METHODOLOGY

A research has been carried out on satisfaction with the quality of services on a research random sample consisting of 30 Montenegrin hotels categorized with 4* and 5* stars: 10 southern (coastal) regions, 10 central and 10 northern (mountain) regions. Hotels from the following municipalities were included: Budva, Bar, Ulcinj, Herceg Novi, Kotor, Kolasin, Mojkovac, Berane, Zabljak, Pljevlja, Podgorica, Niksic and Cetinje. The average hotel ratings were obtained on the basis of guest reviews (included in the sample) based on the reservation system booking.com, which includes all groups of guests (families, couples, groups of friends, individual and business travelers). Total of 9034 reviews were used for the research, with each hotel having a different number of reviews at the time of data downloading. Data were collected in the period from 8th March to 8th April 8, 2018. In addition to the application of cabinet research (desk research), that is, the collection and analysis of secondary data, the method of telephone interview was used as well, which contributed to obtaining information on the application of quality management system on a sample of 30 Montenegrin hotels.
4. INTERPRETATION OF THE RESULTS

Based on secondary data analysis obtained through reservation system booking.com, we have seen that 10 analyzed hotels from the southern region obtained the average mark 8.60 based on 3436 reviews, the average total mark of the hotels in the northern region based on 10 analyzed hotels is 8.65 based on 2402 reviews, while the average mark for the total number of hotels from the central region was 8.93 based on 3196 reviews. Hotel guests have assessed the staff, hotel location, cleanliness, price and quality ration, comfort, and hotel contents, as well as free wi-fi service.

During the analysis of guest satisfaction with the quality of service provided in the chosen 4* and 5* hotels of the southern region, we have noticed, based on the tabular display of marks (Table 3), that hotels Casa del Mare - Blanche 4* in Herceg Novi, as well as hotel Regent Porto Montenegro in Tivat, that they have met the guest expectations and stood out from other hotels. Guests of the hotel Casa del Mare - Blanche 4* were particularly pleased with the politeness of the employees (9.8), cleanliness (9.8), comfort (9.6), as well as the contents which the hotel offers (9.5). Hotel Casa del Mare – Blanche 4* operates within a hotel group which counts 5 hotels as follows: Boutique Hotel "Casa del Mare" – Mediterraneo", Hotel ",Casa del Mare – Capitano", Boutique Hotel "Casa del Mare – Pietra", Hotel "Casa del Mare – Amfora" and Boutique Hotel "Casa del Mare – Blanche". Average ratings on satisfaction of the services provided show that management of hotel group, within which hotel Casa del Mare – Blanche operates, is quality oriented with the aim to please the needs and requests of the guests, which is best supported by the achieved quality awards. The award "Wild Beauty Award" for the best hotel on the Montenegrin coast for 2010 went precisely to the hotel from mentioned hotel group (Boutique Hotel Casa del Mare – Mediterraneo), as well as the award "Tripadvisor-Travels Choice Award" for 2014. and "Venere Award – Top Overall Ratings" for 2013”.

Hotel Regent Porto Montenegro 5* in Tivat also stands out for its average mark (9.5) obtained based on 480 reviews. The guests who stayed in the hotel are particularly pleased with the location (9.7), kindness of the employees (9.6), cleanliness (9.6), comfort the hotel offers (9.7), while they evaluated the price and

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1 [http://casadelmare.me/en/Casa-del-Mare-World/About-Company.html](http://casadelmare.me/en/Casa-del-Mare-World/About-Company.html)
quality ratio with 8.9. Extreme satisfaction of guests is not a surprise when it comes to hotel Regent Porto Montenegro, which is the winner of numerous awards, of which World Luxury Hotel Awards 2015 stands out, and represents the indicator of quality and services custom made for the guest. The hotel is a member of the Virtuoso Group, a prestigious association of world’s leading professionals and luxury tourism companies. The hotel synchronizes its operation with international standards ISO 9001, as well as EN ISO 14001, that is, quality management system and environment protection. Hotel policy includes principles which relate to orientation to guests, fast solving of issues or complaints, orientation to permanent operation enhancement, as well as satisfaction in guests and partners, and so forth.2

The lowest rating from the hotels in southern region which were a part of research sample was obtained by hotel Otrant 4* in Ulcinj (7.4) based on 29 reviews. Tourists who stayed in the mentioned hotel considered that quality and service ratio is (7.2), comfort is (7.2), contents (7.1), as well as free wi-fi (6.4) which was not on a desired level. The number of reviews which served as the basis for average ratings is quite small, but it cannot be neglected. On the contrary, it should be a good indicator to hotel management in improving the hotel services.

Table 3 – Display or ratings on satisfaction with hotel services in the Southern region of Montenegro

<table>
<thead>
<tr>
<th>Southern region of Montenegro</th>
<th>average mark</th>
<th>staff</th>
<th>location</th>
<th>cleanliness</th>
<th>quality-price ration</th>
<th>comfort</th>
<th>content</th>
<th>free wi-fi</th>
</tr>
</thead>
<tbody>
<tr>
<td>Avala Resort&amp;Villas 4* Budva</td>
<td>8,2</td>
<td>7,8</td>
<td>9,4</td>
<td>8</td>
<td>7,4</td>
<td>8,5</td>
<td>8,1</td>
<td>8,2</td>
</tr>
<tr>
<td>Splendid Conference&amp; Spa Resort 5* Bečići</td>
<td>9</td>
<td>8,9</td>
<td>9,2</td>
<td>9,2</td>
<td>8,2</td>
<td>9,3</td>
<td>9</td>
<td>8,8</td>
</tr>
<tr>
<td>Regent Porto Montenegro 5* Tivat</td>
<td>9,5</td>
<td>9,6</td>
<td>9,7</td>
<td>9,6</td>
<td>8,9</td>
<td>9,7</td>
<td>9,5</td>
<td>9,4</td>
</tr>
<tr>
<td>Hotel Princess 4* Bar</td>
<td>8</td>
<td>7,9</td>
<td>8,8</td>
<td>7,9</td>
<td>7,6</td>
<td>7,9</td>
<td>7,8</td>
<td>8</td>
</tr>
<tr>
<td>Hotel Casa del Mare - Amfora 4* Kotor</td>
<td>9,3</td>
<td>9,7</td>
<td>9,4</td>
<td>9,7</td>
<td>8,7</td>
<td>9,5</td>
<td>9</td>
<td>8,3</td>
</tr>
<tr>
<td>Hotel Palata Venezia 4* - Ulcinj</td>
<td>9</td>
<td>9,1</td>
<td>8,9</td>
<td>8,3</td>
<td>8,5</td>
<td>8,3</td>
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</tbody>
</table>

During analysis of hotels in the northern region (Table 4), the following hotels stand out by extremely high guest ratings: Hotel Serdar 4*, Hotel Berane 4* and Hotel Soa 4*. The ratings of the two initial hotels were formed based on 28 reviews for Hotel Serdar 4* and 27 reviews for Hotel Berane 4*, while the ratings for Hotel Soa 4* were formed based on 892 reviews. Guests of the Hotel Serdar 4* are particularly satisfied with internet services (10), cleanliness (9.8), quality and price ratio (9.7), as well as politeness of the staff (9.6), while for Hotel Berane 4* the guests, apart from the internet (10), specially point out the location (9.7), as well as politeness of the staff (9.5). Hotel Soa 4* is a facility which offers high quality service, and the guests especially point out the politeness of guests (9.4), cleanliness (9.4), comfort (9.1) and contents (8.9) offered by the hotel. According to the information provided during the telephone interview, the mentioned hotels are relatively newly built objects, which use internal quality management standards, i.e., hotels themselves create rules for specific areas of business. In this group of hotels in the northern region, the Hotel Il Sole 4* in Berane was the worst rated, with an average rating of 7.4 based on 67 guest reviews. Although it is a 4* hotel, based on the results obtained, it can be concluded that the hotel service did not meet the needs and expectations of the guests. The ratings show that the relations of employees is not on a satisfactory level (7), as well as location (7.4), cleanliness (7.4), comfort (7.4), and the content provided by the hotel (7.3). Poorer guest ratings should be a signal to the management to improve or eliminate any potential errors in the overall organization of work. By spreading bad experiences, today’s guests can easily endanger the reputation of hotels or any businesses in the field of tourism (Galicic, 2002).

<table>
<thead>
<tr>
<th>Hotel Otrant 4* Ulcinj</th>
<th>8,7</th>
<th>7,4</th>
<th>8</th>
<th>7,9</th>
<th>7,3</th>
<th>7,2</th>
<th>7,2</th>
<th>7,1</th>
<th>6,4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotel Azzuro 4* Herceg Novi</td>
<td>8,3</td>
<td>9,2</td>
<td>8,5</td>
<td>8,4</td>
<td>8</td>
<td>7,8</td>
<td>7,7</td>
<td>8,5</td>
<td></td>
</tr>
<tr>
<td>Hotel Casa del Mare - Blanche 4* Herceg Novi</td>
<td>9,4</td>
<td>9,8</td>
<td>9</td>
<td>9,8</td>
<td>8,9</td>
<td>9,6</td>
<td>9,5</td>
<td>8,2</td>
<td></td>
</tr>
<tr>
<td>Wellness&amp;Spa Hotel ACD 4* Herceg Novi</td>
<td>8,9</td>
<td>9,2</td>
<td>8,2</td>
<td>9,4</td>
<td>8,6</td>
<td>9,1</td>
<td>8,9</td>
<td>8,7</td>
<td></td>
</tr>
</tbody>
</table>

Source: Author’s calculation based on data of www.booking.com
Table 4 – Display of ratings on satisfaction with hotel services in the Northern region of Montenegro

<table>
<thead>
<tr>
<th>Northern region of Montenegro</th>
<th>average mark</th>
<th>staff</th>
<th>location</th>
<th>cleanliness</th>
<th>quality-price ration</th>
<th>comfort</th>
<th>content</th>
<th>free wi-fi</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotel Soa 4* Žabljak</td>
<td>9,1</td>
<td>9,4</td>
<td>9,2</td>
<td>9,4</td>
<td>8,7</td>
<td>9,1</td>
<td>8,9</td>
<td>8,5</td>
</tr>
<tr>
<td>Hotel Polar Star 4* Žabljak</td>
<td>8,7</td>
<td>8,9</td>
<td>8,5</td>
<td>8,9</td>
<td>8,6</td>
<td>8,8</td>
<td>8,2</td>
<td>9,1</td>
</tr>
<tr>
<td>Hotel Franca 4* Bijelo Polje</td>
<td>9</td>
<td>9,2</td>
<td>9,5</td>
<td>9,3</td>
<td>8,5</td>
<td>9,3</td>
<td>8,3</td>
<td>8,8</td>
</tr>
<tr>
<td>Ski Hotel 4* Žabljak</td>
<td>8</td>
<td>8,6</td>
<td>8,3</td>
<td>8,6</td>
<td>7,1</td>
<td>7,8</td>
<td>7,5</td>
<td>7,9</td>
</tr>
<tr>
<td>Hotel Il Sole 4* Berane</td>
<td>7,4</td>
<td>7</td>
<td>7,4</td>
<td>7,4</td>
<td>7,7</td>
<td>7,4</td>
<td>7,3</td>
<td>7,7</td>
</tr>
<tr>
<td>Hotel Serdar 4* Mojkovac</td>
<td>9,5</td>
<td>9,6</td>
<td>8,9</td>
<td>9,8</td>
<td>9,7</td>
<td>9,5</td>
<td>9,4</td>
<td>10</td>
</tr>
<tr>
<td>Hotel Berane 4* Berane</td>
<td>9,3</td>
<td>9,5</td>
<td>9,7</td>
<td>9,3</td>
<td>9,1</td>
<td>9,4</td>
<td>8,6</td>
<td>10</td>
</tr>
<tr>
<td>Hotel Blanka Spa&amp;Resort 4* Kolašin</td>
<td>8,7</td>
<td>8,6</td>
<td>9</td>
<td>9</td>
<td>8,1</td>
<td>8,9</td>
<td>8,7</td>
<td>8,6</td>
</tr>
<tr>
<td>Hotel Gold 4* Pljevlja</td>
<td>8,5</td>
<td>8,9</td>
<td>8,3</td>
<td>8,4</td>
<td>8,7</td>
<td>8,4</td>
<td>8,2</td>
<td>9,1</td>
</tr>
<tr>
<td>Four points by Sheraton 4* Kolašin</td>
<td>8,3</td>
<td>8,2</td>
<td>8,8</td>
<td>8,6</td>
<td>7,8</td>
<td>8,3</td>
<td>8,1</td>
<td>9,6</td>
</tr>
</tbody>
</table>

Source: Author’s calculation based on data of www.booking.com

In the group of analyzed hotels in the central region (Table 5), in particular, according to the satisfaction of the services, the following hotels stand out: the Center Ville Hotel and Experiences 4*, Hotel Hemera 4*, Hotel Hilton 5*, Hotel Aurel 4* and Hotel Ziya 5*. Center Ville Hotel and Experiences 4* received an average rating of 9.6 based on 348 reviews and thus took the first position when it comes to selected hotels in the central region. The hotel is highly rated when it comes to hygiene (9.9), staff attitude (9.7), as well as the comfort provided by the hotel (9.7). What this hotel is characterized by is the principle that leads them, and relates to the guest feeling as if he/she was in their own home. According to data obtained through telephone interview, Hotel Philia 4*, Hilton 5* hotel and Aurel 4* hotel have internationally recognized evidence of quality in the form of ISO 9001 certification. Although certification is voluntary and depends on the decision of the company management, it is a promotional tool and it is proof, in this case, that the hotel companies have harmonized their business with international standards and thus become more competitive on the market.
Table 5 - Display of ratings on satisfaction with hotel services in the Central region of Montenegro

<table>
<thead>
<tr>
<th>Central region of Montenegro</th>
<th>average mark</th>
<th>staff</th>
<th>location</th>
<th>cleanliness</th>
<th>quality – price ration</th>
<th>comfort</th>
<th>content</th>
<th>free wi-fi</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotel Philia 4* Podgorica</td>
<td>8.9</td>
<td>9.4</td>
<td>8.1</td>
<td>9.2</td>
<td>9.1</td>
<td>9.1</td>
<td>8.6</td>
<td>8.9</td>
</tr>
<tr>
<td>Hotel Hemera 4* Podgorica</td>
<td>9.5</td>
<td>9.7</td>
<td>9.6</td>
<td>9.7</td>
<td>9.2</td>
<td>9.5</td>
<td>9.3</td>
<td>9.1</td>
</tr>
<tr>
<td>Hotel Hilton 5* Podgorica</td>
<td>9.3</td>
<td>9.0</td>
<td>9.4</td>
<td>9.5</td>
<td>9.0</td>
<td>9.5</td>
<td>9.1</td>
<td>8.5</td>
</tr>
<tr>
<td>Hotel Aurel 4* Podgorica</td>
<td>9.3</td>
<td>9.6</td>
<td>8.2</td>
<td>9.7</td>
<td>9.3</td>
<td>9.6</td>
<td>9.2</td>
<td>9.1</td>
</tr>
<tr>
<td>Centre Ville Hotel and Experiences 4* Podgorica</td>
<td>9.6</td>
<td>9.7</td>
<td>9.4</td>
<td>9.9</td>
<td>9.5</td>
<td>9.7</td>
<td>9.5</td>
<td>9.6</td>
</tr>
<tr>
<td>Hotel Ziya 5* Podgorica</td>
<td>9.4</td>
<td>9.3</td>
<td>9.3</td>
<td>9.8</td>
<td>9.1</td>
<td>9.5</td>
<td>9.3</td>
<td>9.5</td>
</tr>
<tr>
<td>Hotel Trim 4* Nikšić</td>
<td>8</td>
<td>8.5</td>
<td>7.7</td>
<td>8.4</td>
<td>7.9</td>
<td>7.7</td>
<td>7.5</td>
<td>8.6</td>
</tr>
<tr>
<td>Hotel Trebjesa 4* Nikšić</td>
<td>8.7</td>
<td>9.2</td>
<td>8.8</td>
<td>9.2</td>
<td>8.4</td>
<td>8.4</td>
<td>8.3</td>
<td>9.2</td>
</tr>
<tr>
<td>Hotel Monte Rosa 4* Cetinje</td>
<td>8.1</td>
<td>7.3</td>
<td>8.9</td>
<td>8.5</td>
<td>7.9</td>
<td>8.3</td>
<td>7.6</td>
<td>7</td>
</tr>
<tr>
<td>Hotel Ivanov Konak 4* Cetinje</td>
<td>8.5</td>
<td>8.6</td>
<td>9.1</td>
<td>8.7</td>
<td>8.4</td>
<td>8.1</td>
<td>8</td>
<td>7.2</td>
</tr>
</tbody>
</table>

Source: Author’s calculation based on data of www.booking.com

Implementation of the quality management system according to ISO 9001 is very useful for companies in the tourism and hotel industry, since it provides an increase in the level of satisfaction of the guests, thus increasing loyalty, greater responsibility and training of employees, lower costs, better business results, continuous improvement of all activities within the company, greater competitiveness and market opportunities, etc.

CONCLUSION

The aim of this paper is to demonstrate the importance of implementing the quality management system in tourism according to the ISO 9001 standard and to examine satisfaction with the quality of services on a random sample of thirty hotels in the Montenegrin market. Given that satisfaction with service quality, customer retention and oral advertising are important factors that depend on the future development of service companies (Kapiki, 2012), the implementation of the management system according to ISO 9001 is a sure way to do so. The results of the survey show that hotel guests who were involved in the research showed considerable satisfaction with the quality of the services provided, regardless of the regional
developmental differences in Montenegro. Negligible number of hotels with the ISO 9001, certificate or those applying the quality management system is insignificant, but not certified, while there are a number of hotels that apply internal standards. Researches show that companies opt for certification with the motive of increasing satisfaction with the quality of products or services (Khan, 2016), however, experience shows that practice in Montenegro does not reflect this very situation, concerning the very small number of certified companies according to ISO 9001, especially in the field of tourism and hotel industry. During the research, it was noted that the lack of a register of certified companies, the inability to verify the validity of the obtained certificates, as well as the lack of information on international standards, are the main issues in this area in Montenegro. In order to increase the number of certified companies, particularly, in the field of tourism, it is necessary to work as much as possible to spread awareness about the quality and importance of implementation of the quality management system according to ISO 9001 in Montenegro, with the aim of motivating employees and maximizing their involvement in quality creation activities for the ultimate users of services (Harrington & Keating, 2006; Vasic et al, 2014), given their important role in this process.
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- Graeme, K., 2011, Quality management, bookboon.com, pp.11-12
- The data used for the research are from www.iso.org and www.booking.com;
ECONOMIC EFFECTS OF THE FAKE NEWS ON COMPANIES AND THE NEED OF NEW PR STRATEGIES

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University of National and World Economy, 1700 Sofia, Studentski Grad, Bulgaria

ABSTRACT

The paper presents and analyzes some of the most important economic consequences of the dissemination of fake news in the contemporary media landscape. Until now, the discussions on this topic are conducted mainly in the field of negative influences on the society, but there are some reasons to state, that they can lead to the negative consequences for companies – resulting mainly in loses and missed benefits, as well as image issues. Based on the analysis, some recommendations are being given to the companies. Finally, the need of new PR strategies in this situation are outlined.

KEYWORDS: Fake news, media, loses, image, PR

JEL CLASSIFICATION: D40, M3, L82

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INTRODUCTION

The last few years marked a sharp increase in the use of the term “fake news”. This is not unusual – no matter that this phenomenon, as stated by many professionals in the sphere of media and communications, dates from centuries, its dissemination nowadays is epidemic.

The opinion, that Internet and digital media are providing extremely favourable environment for the dissemination of fake news, is very stable and common among professionals as well. Although it has not been discussed that the rapid development of digital media starts long before the explosion of the fake news, it is clear that a typical feature of misleading negative information is its existence and dissemination predominantly online, and later it could spread through traditional media. And as a main reason for that is the fact that consumers are rarely checking the accuracy of the information, which is disseminated online. And, as a rule, they are more likely to share negative information than positive, which makes them participators – this is an issue that requires separate attention.

This is related with the dissemination of fake news, fuelled by public trust and information interests of some political or economic circles. Much more often it comes from political ones, but before discussing that, it is important to pay attention to the essence of fake news and their potential for impact, which has negative consequences for businesses.

FAKE NEWS: CONTENT AND DISSEMINATION

In the beginning it is important to present a few elements of the context related with the fake news in the contemporary society, along with some important theoretical grounds. Overall, despite the huge attention on behalf of media, politicians, PR professionals, digital experts and others, the existence of fake news is still accompanied with some uncertainties. We really still don’t know what actually happens and how they actually function – how big is their volume, who produces them, who and why reads them. Besides this, it is clear enough that the volume of incorrect information is increasing because of the specific economic interests – from financial benefits of a certain users to multiple political and corporate interests (Vasileva, 2017).
In addition, having in mind the concepts of attention economy and information economy in contemporary world, we know that consumer’s requirements to media and public content are developing. By a time when flows of data replace flows of goods, and the new media are coexisting with the traditional ones; the economic value of information depends on the satisfaction that it creates and the opportunities for action (Zlateva, 2008). Therefore, the attention to a particular type of information, as well as struggle for it, becomes important. “Numerous media compete for the limited resource of attention, that a person can afford, and since the publicity gives importance to the organization or a person, in the battle for the hearts and souls of the audience more professionals are coming over” (ibid.). This is crucial in terms of understanding of the genesis and development of the fake news – they are created in a way that enables them to catch people’s attention fast and easy, without paying attention on the content and, of course, the truthfulness.

THE BUBBLE INFLATES: EFFECTS OF THE FAKE NEWS

The dissemination of the fake news is significant and problematic, according to a lot of professionals, but it is important to make an adequate evaluation regarding the power of impact and their effects – both in political and economic spheres and specifically on companies. This should be made independently of other close phenomena as information wars, ethics, and professional behavior in journalism, political and economic corruption conflict of interests, which extend far beyond the simple informational nature of the fake news. Looking at these bigger and probably more important issues, however, prevents from finding a solution good enough for dealing with them.

Obviously, the main problem with the fake news is the negative effects that they bring. In more serious cases even may be needed intervention from the affected people. However, by this moment it can be stated that the consequences are negative, perhaps much more in terms of image than financial, and both of them is still difficult to be empirically verified. This is especially important when we have in mind their economic effects. Apart from this, there are studies which show that generally it does not seem difficult for readers and viewers to separate true from false information, but in many cases this does not happen (Wineburg et al., 2016). The issue is not about that people are stupid or trustful; it is about the fact that the news format is easy to imitate and even
some real stories are more unusual than the fake ones. Because of that the distinction is becoming more and more difficult. Other publications on the topic, however, emphasize that it is visible how false news have their negative impact, but that can hardly be supported by any relevant figures. We still don’t know what is the real impact – whether and to what extent the reading of a post or a “like” on Facebook means significant change (Carson, 2017).

One more thing that is extremely important – the reasons for dissemination of fake news are few and they are absolutely clear. First of all, they are easily interpretable among the overloaded information environment, respectively, are more suitable for adoption. More importantly – they sounds credible. Fake news do not correspond to the truth, but they look like they do, affecting possible and scary facts on topical issues. In that sense they are a form of populism, because they often contain statements that people want to hear. In political terms this is understandable, in the business sphere it also appears as a reproduction and an act of a fair “attack against the bad companies”.

The question of the effects, of course, is also related to the issue of dissemination. In this sense, fake news are very close as a mechanism of impact to the rumours as a tool of information or rather for misinformation. The rumours are online – so as the fake news. As well as the rumor it is created by others – by those who share it and talk about it (Antova, 2017). And yet, the extremely serious attention to the phenomenon of fake news lately, which already came to a question, is related with a really huge war already initiated against them. The presidential campaign of Donald Trump, the campaigns of the supporters of Brexit and several large and many smaller cases actually showed total unacceptability and danger of fake news. This quickly led to a really significant professional and institutional reaction against them, expressed violently and strongly enough. By the end of August 2017 even the European commissioner for Digital Economy and Society Mariya Gabriel announced the launch of a campaign against the dissemination of fake news. The owners of the main social networks also claimed to take action to limit them. The traditional media, partly felt the danger for media content, also have actively involve through campaigns and clearly expressed statements, including some examples in Bulgaria. The professional organisations in the sphere of PR – Bulgarian Public Relations Society and Bulgarian Association of PR Agencies also undertook some actions.
FAKE NEWS AND THE BUSINESS: WHAT IS NEXT?

By that moment almost everything, related to the fake news is concentrated in the field of politics and entertainment industry. Despite the saturation of the information environment on this topic, the discussion regarding fake news in business and the economy as a whole is insufficient. This status quo definitely requires more attention to their dissemination in the field of business, no matter of the fact that it remains less damaged by their destructive actions than politics and civic movements.

Exactly because of this discussions about the effects of fake news, of course, mostly negative, are focused on what is happening in society. Attention is directed to Donald Trump, on the changes in citizens' behaviour, on the approval or disapproval of one or another type of policy, to one or another political or public figure. The topics of the discussions are mainly regarding the change of attitudes, spoiling of media environment, manipulating public opinion, information wars, and unethical communication practices. And very rarely from the research point of view professionals are talking about the effects of fake news on companies, impact on sales and on consumer satisfaction, on share prices of public companies and other economic and business aspects.

In this context it is important to pay attention on the economic reasoning and what are the economic benefits of the fake news. First, there are benefits for the owners of the news media, which publish and disseminate them. Even if they have no political and economic relations or dependencies, they publish them to generate traffic to the website, respectively, to have larger audience. This means more revenue from advertisements. The fake news, along with the sensational ones, are good tools for attracting readers, as they are extraordinary, loud and in most cases concern important topics – which makes them clickable. Moreover, social networks such as Facebook and Twitter has allowed people to exchange information on a much larger scale than ever, and the ability to publish platforms like WordPress has enabled everyone easily to create a dynamic website. Thus, the big barriers to the creation of fake news have been cancelled – the costs of publishing and dissemination have reached zero (Carson, 2017). Second, fake news has become powerful tool to promote certain interests. They can be used even more actively for the pursuit of political and especially economic interests, and as such can be used in
the competition – which is completely unethical, of course. All this increases the importance of fake news in the business and the need to deal with them.

THE NEGATIVE EFFECTS AND THE NEED OF NEW PR STRATEGIES

Although for the past two years discussions and actions on the topic of fake news, many institutions and the media have initiated statements or struggle with them in the political and social sphere, in the economy this happened at a later stage. It was not until November 2017, when a representative of the European Central Bank stated that fake data threaten the economy and financial stability – similarly as the fake news in the economy (ECB, 2017).

This type of statement is loud enough, but is highly declarative. There is something behind it that is probably more than clear to all who pay attention to the fake news business in the business – that at the moment their economic consequences are hard to be empirically proven. Still, it can be stated that, and there are enough reasons to believe, that the negative economic consequences of fake news in business are similar to those of any other kind of negative information. In this sense, and based on general outcomes and with a certain degree of approximation, the negative effects and the economic consequences of fake news can be systematized into five main groups.

Decrease of the trust in some markets. This is not about negative consequences for companies or people; it is about the erosion of confidence in a given sector as a whole, which indirectly can influence all the companies in it. Politics and the economy are closely related, and while panic can be spread to the markets as a result of fake news, such information can also eliminate the trust in the industry as a whole. All this, including saturation of negative public information, will have an impact on some investment decisions, and on stock markets – a decrease in stock prices.

More restrictions and regulations. As can be understood from the above mentioned position of the European Central Bank, the possibility of free circulation of fake and negative information also impulses the introduction of more and perhaps more strict market regulations. To a certain extent, this would be entirely reasonable, and yet businesses generally are developing better in the situation of freedom than regulations, and in this sense whatever they are, it would restrict entrepreneurial energy – especially in some sectors.
Decrease in sales of the company and in the industry. Based on case-by-case observations, it can be argued that fake news and unfair negative information can lead to a decline in sales of a particular product. We are actually witnesses of a significant difference with the policy sphere – if fake news to the detriment of a candidate has the potential to "give" votes on his opponent, this is not the situation in the business – there is a decline in sales and trust not only of the given brand, but of the entire product category. Probably it is the most visible in the banking sector.

Damages on the corporate and industry image. The reasoning here is the same – negative information, especially if it is systematic, seriously damages the image of both the company and the whole industry. This is the role of the professional organizations – to create and acquire trustfulness based the common interest of the companies in a given sector.

Financial losses and need of additional resources. It is obvious that the decline in sales and image damage has the potential to lead to financial losses as well as lost profits. Additionally, dealing with fake news and minimizing negative effects requires the engagement of additional resources by professionals and communications specialists, which also contributes to increase the costs.

The solution? We need new PR and communication strategies and no mercy in the production and distribution of fake news. The tools to fight with them by this moment are not a lot, but they should certainly be more focused on prevention than on tackling them afterwards. Professional recommendations are related to building an early warning system and constant monitoring of online and social media discussions regarding company and its products. Thus, the possibility of a quick and adequate response will increase and the losses will be minimized. Of course, this must go along with active communication with users on social media, respectively, developing own company channels with – website, blog, facebook page. In this way, the company will have a strong enough asset to counteract not the emergence (because that is hardly possible), but the spreading and escalation of fake news in business.
CONCLUSION

The issue of lies and misinformation has always been at the forefront of the agenda of the media and PR. Obviously, the untruths are inherent in our live, and researchers in the field of ethics in PR claim that pure truth is impossible and that professionals “do not have to object to their own absolute honesty in conditions where audiences are sceptical anyway with respect to the truth communicated to them, and therefore professional communicators does not have the right to fill the information channels with more semi-truths or untruths (Parsons, 2016).

Still, the change across a better environment should be made by professionals, including in the field of fake news, despite fluctuations in their effects. Sustainable interaction between business, political, media and PR professional, and a war against this phenomenon (as it exists by now) are the most important prerequisite for success.
REFERENCES


SOCIO-ECONOMIC THEORETICAL APPROACHES IN EXPLAINING POVERTY

Trpe Tufekchiev

ABSTRACT

This scientific paper is essentially of theoretical nature. Subject of elaboration are the most important socio-economic theoretical paradigms that explain and define poverty as a multidimensional social phenomenon. This paper is dominated by the thesis that each of the elaborated socio-economic theoretical perspectives has a significant share and influence in the context of studying this phenomenon. Also, none of the above mentioned theoretical concepts alone is sufficient for to be able to create an appropriate poverty reduction socio-economic strategy.

KEYWORDS: Poverty, economic approaches, socio-economic paradigms, phenomenon, theoretical concepts

JEL CLASSIFICATION: I32

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INTRODUCTION

Poverty is undoubtedly a complex and multidimensional phenomenon and, consequently, a holistic approach is necessary in order to create and develop strategies for poverty reduction. In a large part of the world, there has been a huge challenge to develop and apply programs, processes and plans to deal with various types of poverty. In this sequel, briefly in several segments we will try to define poverty not only as a pheno-menon, but also as a process that has been following human civilization for centuries.

Poverty as a subject issue has been relevant to research in many social disciplines (sociology, economics, psychology, anthropology, etc.). However, in this paper, the goal will not be to discover the ways and means by which poverty will be reduced, but to briefly report with a certain amount of criticism the socio-economic theories of poverty that give the basis of all strategies and plans for poverty reduction. In this context, poverty represents an individual or group lack of resources in comparison with other members of society - that is, their relative standard of living (Lister, 2009:49). When we say that poverty is a multidimensional problem, it is primarily thought that it manifests itself in the society in many forms: lack of income and means to ensure dignified life, hunger and malnutrition, limited or no access to public services and good (social exclusion), lack of adequate housing, etc.

Despite all the features attached to the notion of poverty, one of them is absolutely correct, and that is that poverty is a problem of a relative nature. First of all, it is a problem, because in its essence, poverty is a situation that is unacceptable and undesirable for any individual. So, poverty is perceived mainly as an unwanted situation which in turn contributes to putting it on the list of the greatest social evils. Poverty is also relative because it is present throughout the world, but not on equal proportions. Theories are undoubtedly a display of the world that goes beyond what we can see and measure. In particular, socio-economic poverty theories are a set of interconnected definitions and relationships that somehow determine our understanding of poverty as a complex and multi-dimensional problem, that is, understanding the problem in a systematic way. Practically, with the help of socio-
economic theories, we need to understand poverty as a context (life reality) but also as a social connection - primarily between those who are poor and those who are not.

In the next section, we will focus on providing a critical analysis of the perspectives of poverty adopted by both sociological and economic schools. In this paper we will argue that all the underlying theories of poverty have a huge contribution to the understanding of poverty, but that neither of these theories is sufficient for itself. On the contrary, a selective synthesis is necessary in order to be able to create and develop strategies for dealing with poverty.

In a general review of socio-economic theories of poverty, we will focus on classical economic doctrines that focus on individual characteristics, then neoclassical mainstream theories that explain poverty by extending the spectrum of causes that do not depend on the control of individuals. On the other hand, Keynesian school and neoliberal concepts focus on macroeconomic aspects and emphasize the role of the state in the redistribution process. Here, the underlying cause of poverty is found in unemployment (Fiti, 2011: 22). Marx’s radical theory, however, explains the causes of poverty and poverty itself through the prism of the ratio between classes and group discrimination, which by the way is treated as exceptional political problems (Davis & Sanchez, 2014:58).

CLASSICAL AND NEOCLASSICAL THEORY

All terms related to the terms classic economy have been established by Karl Marx. As representatives of the classical economic theory here we will refer to Adam Smith, Thomas Malthus, Jean Batist Sai etc. It is indisputable that the foundation of classical theory is in the microeconomic aspects embodied in the view that the market is an efficient system that has self-regulating power to redistribute all economically available resources (Fiti, 2011:55). When it comes to how classical socio-economic theory explains the phenomenon of poverty, we need to consider the meaning of the so called "methodological individualism" where individuals themselves are considered most responsible for their fates and, analogously, they are responsible if they fall into the trap of poverty. It is clear that methodological individualism starts from Adam Smith’s thesis, according to which:
The society is composed of certain individuals (individuals) with their own interests, because of which the interests of society are only a set of individual interests of people (Fiti, 2011:21).

Generally speaking, classical theory is based on the assumption that the outcome of the free market exchange is effective and hence, wages correspond to individual productivity. Starting from this view, it follows that poverty is a product of fraudulent individual choices that negatively affect productivity. The wrong choices of individuals can lead them to a state of poverty or a trap of welfare. Apart from the minimal influence of the state on the prevention of poverty, the interference of the state is generally abolished as a source of economic inefficiency and the welfare programs themselves are perceived as a potential cause for poverty alleviation.

Within these classical socio-economic theories, several sociological approaches are being developed that imply different causes of poverty. One of those approaches is Oscar Lewis's subculture of poverty. This socio-economic theoretical approach implies that poverty is created by transferring from generation to generation certain values, beliefs and skills that are derived from society, but are in the hands of individuals themselves (Bradshaw, 2006:12). It seems that this theory does not blame individuals for this, but on the contrary, considers them as victims of their own dysfunctional subculture or culture. This socio-economic theory is quite current and discussed in particular in American sociology, where local sociologists-theorists were unusually fascinated by subcultures of immigrants and ghettoers. According to the author of this approach, Lewis, the poor form a special social situation, the so called "culture of poverty", dominated by feelings of inferiority, humiliation, marginalism, helplessness, etc. This situation tends to permanently restore poverty (Aceski, 2002:133-134).

The publication of Marshall's "Principles of the Economy" in 1890 is seen as an important step towards the establishment of neoclassical economic foundations. Built on the basics of classical economic tradition, the neoclassical paradigm emphasizes the role of initial talents, skills, knowledge and capital that determine the productivity of an individual in generating poverty in a market-oriented economic system (Davis & Sanchez-Martinez, 2014:18).
Also, neoclassical economic theories have a wider range of causes of poverty and are not based solely on individual control. The ranking of causes of poverty in neoclassical theories involves a lack of social or personal means; market collapse that excludes the poor from the credit market and directs them towards making the wrong choices (Davis & Sanchez-Martinez, 2014:22).

Although they have an almost identical basis, classical economic theory and neoclassical theory have their own aspects in which they differ:

- **Utility** - the main difference is precisely about this concept of usefulness or utility. In the classical economy, usefulness is obviously absent in theories of value, labor, and growth.

- **Value** - in the classical economic tradition, the value of good is equivalent to the cost to produce it. In the neoclassical school, the value of good comes from the demand for the good and the stock of the same. Hence it follows that in neoclassical theory, the value is inherent in its own; in the neo-classical concept, the value is derived its own, ie in the classical economy, the value is the cost, and in the neoclassical value is the benefit.

- **Equilibrium** - the understandings of what equilibrium represents in the classical and neo-classical economy are diametrically opposed. Namely, in classical economic theory, the equilibrium is achieved when the savings are equal to the investment, while in the neo-classical school, equilibrium is achieved when demand and consumption intercept (Davis & Sanchez-Martinez, 2014:29).

In addition to all this, looking at the two approaches in the picture, one can observe that the main argumentation thread lies in the use of monetary units to measure poverty, as well as highlighting the link between productivity and income. However, very strong negative remarks are given to these socio-economic theories due to the overrepresented individualism without taking into account the connections with the community, as well as the excessive focus on the material things that supposedly should eradicate poverty.
KEYNESIAN THEORY

This theory appears at the moment when the Great Recession takes a swing and denies all microeconomic foundations. The more emphasis was on the idea that capitalism is losing the power of that so called autoregulation of market disturbances by the so called *invisible hand*. In those moments, Keynes's work appears with which he establishes new paradigms and concepts characteristic for macroeconomics. Namely, he denies the thesis that the supply independently produces demand; that the income is spent on buying goods and services or that the savings coincide with the investments. On the contrary, according to Keynes, the opposite happened in reality, and this is why he repeatedly emphasizes the need for state intervention to become imperative.

The socio-economic aspects of this theory are contained in the view that state intervention against poverty is necessary in several economic segments, from forced unemployment to investment in public education that can provide economic growth and reduce poverty. In the very essence of Keynesian theory, poverty is mainly interpreted as "the misfortune of a minority of people who are dismissed from work, cannot work or are not expected to work" although, in addition, they want to work. Hence, according to the supporters of this theory, it follows that the state must react by regulation, complement and incitement, but not to force it or impose it (Townsend, 1979: 36).

Representatives of this theory go further that they take the liberty to argue that poverty can be a reflection or an unwanted product of distortions in the market itself. In this context, if entrepreneurial investments are reduced, then the growth of the unemployment rate and the poverty rate should be followed. As a solution to this problem, the Keynesians propose state budgets that increase with taxes, to link up with public investment. Keynes sees this as "socialization of investment" (Jung and Smith, 2007: 48).

The focus on public spending to maintain the level of economic growth, employment and poverty reduction should, according to representatives of this theory, be placed on several key sectors that are strategic, such as infrastructure or education.
By giving resources to these sectors, it is considered that the private sector will follow these investments and will thus support and help reduce poverty through the creation of added value (Jefferson, 2012: 89). It is quite clear that this theory sees the causes of poverty in macroeconomic aspects such as unemployment, inflation and rising sovereign debt.

**MARXIST THEORY**

Representatives of Marxist theory believe that capitalism and the corresponding social and political factors based on class division are the direct cause of poverty. Marx supporters are convinced that "the market is inherently dysfunctional" (Blank, 2010: 18). According to this constellation of attitudes, capitalist societies keep labor costs at an unnaturally low level, and hence, poverty in capitalist societies can be reduced only by strict regulation of the market (for example by introducing a minimum wage). Many experts in political economy argue that poverty is predominantly a result of structural factors, including stratification (layered) labor markets as well as stereotypes and corruption. In all cases, the apologist’s message to this theory is that anti-discrimination laws and labor market reforms are more than necessary to overcome structural barriers that increase the poverty rate. Also, from this radical aspect, even environmental problems can be linked to poverty. Marx wrote on several occasions that the existence of unemployed workers (resulting from the desire of capitalists to have labor surplus) artificially lowers wages. This was regarded as an inherent dysfunction in the labor market, which would be absent if there was regulation by the state (guided by the working class). (Blank, 2010: 45).

One of the most commonly proposed measures for poverty reduction, in the context of this theory, is certainly the proposal for a minimum wage. In capitalist societies, poverty reduction will be realized only by adopting minimum wage laws. This section is perhaps the most criticized part, because there are a number of arguments against the introduction of a minimum wage. For illustration, the introduction of the minimum wage leads to inflation because companies would try to compensate for the imposed costs by raising the prices of their products. Another counter argument for the minimum wage is the fact that the minimum wage would unfairly exclude them from the labor market low-cost companies.
CONCLUDING REMARKS

Classical and neoclassical theory in a very clear way have shown that the individual has an important role in the free market system. Keynes and his supporters, in turn, have made a significant contribution to the elaboration of the functions of the state, which enable a focus on public goods and inequality issues and which can affect some dimensions of poverty that orthodox economists could not foresee. Furthermore, an important contribution to Marxist theory as the last reasoned theory is the fact that poverty is just as moral as it is a technical problem.

The general impression or conclusion of this paper is based on the assertion that each of the above elaborated socio-economic theoretical perspectives have a significant share and influence in the context of the study of the complex phenomenon called poverty, but also none of the above mentioned theoretical concepts alone is sufficient to create an appropriate poverty reduction strategy. Any socio-economic theory in a very clear and precise way locates the causes of poverty, whether they are of a micro or macroeconomic nature, but it is a fact that these socio-economic theories require some modifications and improvements in order to arrive at an effective and effectively offered solution to addressing poverty.

Finally, we can conclude that in order to create more effective strategies for dealing with poverty, a continuous synthesis of more socio-economic theoretical paradigms is necessary.
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