

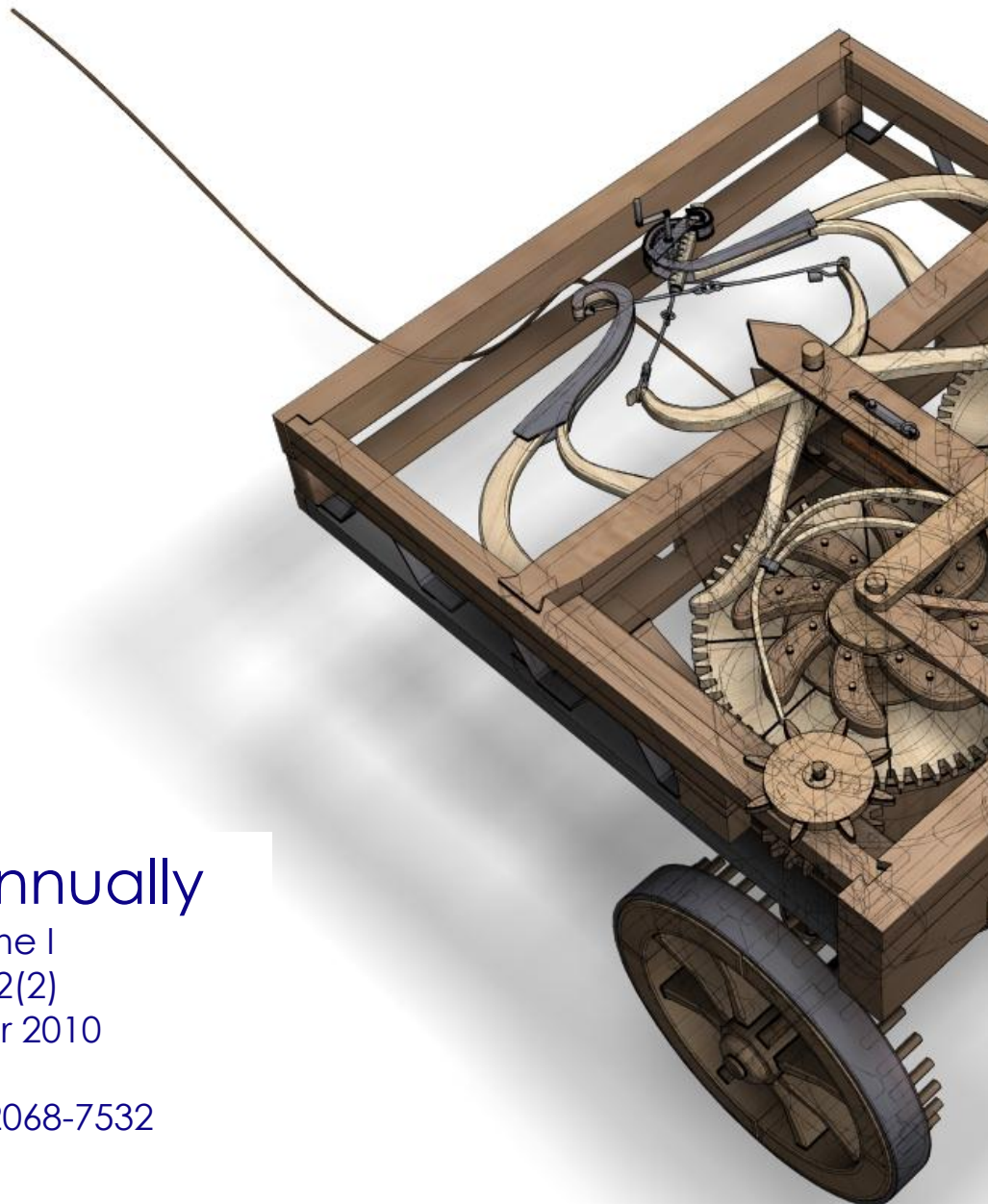
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RETURN MIGRATION IN ITALY: WHAT DO WE KNOW?

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Abstract

Return migration is the positive counterpart of brain drain. Human capital accumulation increases in a country if skilled agents go back home after a period spent working abroad. Effects of brain drain in Italy could be negative as highly skilled migrants decide not to come back to their native country. Our simple model shows that if preference for home consumption is balanced by career opportunities and life-style conditions, agents leave Italy and prefer to remain abroad. Data support and policy implications are provided.

Keywords: return migration, brain drain

JEL Classification: F22, J24

1. Introduction

Return migration is the flow of migrants who come back to their home country after a period spent in a foreign country for activities usually related to job or human capital accumulation. When it occurs as the resulting phenomenon from a brain drain migration, human capital accumulation of the country of origin increases in time as highly skilled agents come back and import their abilities.

The propensity to return in the country of origin after a period spent abroad varies among countries, and the percentage of migrants who return within 10 to 20 years is between 25% and 30% of the initial group (Borjas, and Bratsberg 1996; Dustmann, and Weiss 2007). This kind of migration is especially concentrated among the highly educated agents, who are often among the most successful of them (Johnson, and Regets 1998; Luo, and Wang 2002; Commander, *et al.* 2004; Gundel, and Peters 2008; Batista, *et al.*, 2007; Zucker, and Darby 2007).

Propensity to return of Italian highly skilled workers has been revealed very low as results from empirical findings reported in a statistic investigation by Monteleone, and Torrisi (2010). This paper builds a theoretical model which fits this evidence, showing that Italian return migration suffers because of certain structural conditions of the labor market. The provided explanations of these results suggest policy implications in sight of more adequate human capital accumulation.

The paper is organized as follows: Section 2 gives a brief overview about return migration literature; Section 3 presents the model which shows theoretical support of low propensity to return of Italian agents; Section 4 provides some policy implications and Section 5 provides conclusion.

2. Return migration

Effects of brain drain are described in literature either as negative or positive according to the highlighted prevailing factors of this phenomenon. In fact, some prefer to consider only effects on labor market, giving insights of negative impact. More recent contributes suggest, instead, to give more weight to human capital accumulation, underlining positive aspects on economic growth (Carrington, and Detragiache 1998; Bein, *et al.*, 2003; Commander, *et al.* 2003; Giannoccolo 2006; Monteleone 2010).

Bhagwati and Hamada (1974) explain that economic integration of markets and consequent migration implies a net loss for poorer countries, both in productive and in fiscal terms, given that more specialized workers (and therefore those with higher potential salaries) move away.

Haque and Kim (1995) suggest that brain drain affects negatively long-term income, given that reduces the internal human capital accumulation rate and increases migration rates from countries that remain unproved of qualified workers.

Mountford (1997) acts as a watershed between supporters and opponents of brain drain. In fact he highlights how positive on economic growth the chance to gain higher wages for workers can be: because of uncertainty he holds that emigration rates would remain within an acceptable range, giving the chance to

BASIC CONCEPTS OF CHANGE MANAGEMENT OF SMEs

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Abstract

Change is the only constant. The only difficulty is to follow it. The last decade was a period of unprecedented transformations. In all industries, SMEs are in process of transformation. The change is occurring increasingly rapidly and it is a fundamental problem.

To maintain an organization running efficient and to increase performance, adaptation to the changes occurring in the environment in which it operates is needed.

Elements of the past are no longer valid today. An organization's most precious resource for tomorrow is the 'technical information' (the know-how) and the main difficulty is to transfer the most important 'raw material' – human-resources – beyond products, countries, markets and functions. For this purpose, a new type of organization is needed, one which is capable of maximizing the core competencies and core activities. Human capital is an active element. (Nistorescu, and Constantinescu 2009, 33).

Keywords: change, management, organization, human resources, SMEs, organizational culture, strategy, resistance

JEL Classification: M13, O32

1. The concept of organizational development

Organizational development is defined (Burduş E. and others, 2008, p.18) as a set of actions to design and to implement measures to improve the management system components (strategy, structure, information system, decision-making system, methodological system), aiming at increasing performance and competitiveness of the organization.

Several characteristics of organizational development follow from the aforementioned definition:

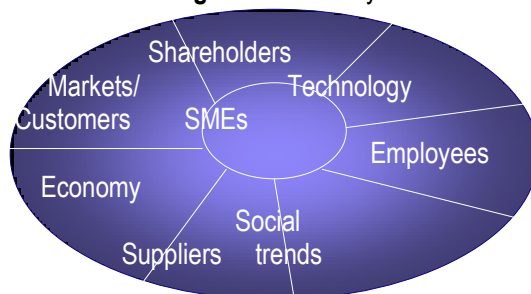
- applying measures to improve the *entire* management system or a component thereof for the entire organization or only a subdivision;
 - using a wide range of methods and techniques that are specific to the whole system of management or to a specific problem (strategy, leadership, decisions, etc.);
 - implementing, by all measures, the changes related in general, to human behavior; ;
- organizational development involves both the implementation of change, as well as further improvements;
- organizational development aims at increasing efficiency, therefore a wise use of resources will mount the quality of products and services, labor productivity and will improve working conditions within the organization.

1.1. Adapting to the environment

SMEs, especially those based on knowledge, are the main vector of development. (Nicolescu 2001, 30).

The starting point is adapting to external factors, which should be monitored and analyzed by SMEs at all times. If the organizational transformation does not correlate with the changing-market realities, the improvements will last only limited periods of time. Also, stability is an illusion. If customers cease to buy products, even for a short period of time, the biggest corporate companies will begin to falter. A new rival or a new technology can quickly destroy even the foundation of the most well established companies. Their most striking feature isn't the longevity, but their impermanence.

Figure 1.The analysis of business environment



Source: Clarke (2004, 13).

ISO14001 EMS'S IMPACT ON EMPLOYEE ATTITUDES: A REVIEW OF THE LITERATURE

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Abstract

An environmental management system (EMS) provides the framework for continual environmental improvement through effective management of an organization's environmental impacts. The most well-known and accepted EMS is the ISO 14001 standard on environmental management established by the International Organization for Standardization (ISO). The key components that impact on EMS implementation are a synergistic blend of 'hard' and 'soft' elements. The elements of soft EMS are essentially dimensions of human resource management (HRM), while the 'hard' elements are more technical-oriented. To ensure successful environmental management, the 'hard' elements of an EMS must be accompanied by equal attention to the 'soft' elements. The results of an EMS program are usually new environmental policies, new organizational structures, new operation processes and added responsibilities on employees. As a result these changes may have an effect on employee attitudes. The 'soft' elements must reinforce employees' commitment to environmental improvement and enhance their job satisfaction and the extent to which this is done may decide the success or failure of ISO14001 EMS. The study of employee commitment in general has not been scarce, but research addressing this issue as it relates to the implementation of an ISO14001 EMS in particular is lacking.

Keywords: employee attitudes, job satisfaction, organizational commitment, HRM elements, soft elements, ISO14001 EMS

JEL Classification: J28, M13, O15, Q2

1. Introduction

Effective adoption and implementation of ISO 14001 EMS must garner organization-wide support, contributions and commitment (Pun, and Hui 2001). While current models, such as the ISO 14000 series standards recognize that EMS introduction involves commitment, they do not address problems related to obtaining and maintaining commitment. Without commitment the EMS may become an ineffective paper exercise (Kirkland, and Thompson 1999, 137). Employees who exhibit a strong sense of organizational commitment are inclined to act in the interest of the organization and are less likely to resist to ISO 14001 EMS implementation so long as they are perceived to be in the organization's best interest. On the contrary many EMS implementers have found that managers are especially resistant to changes in workload or procedures (Giles 2004). In Singapore, although case studies findings suggest management commitment and employee cooperation as critical success elements for ISO 14001/EMS implementation, difficulty in securing employee commitment was found to be common for the majority of the companies surveyed (Quazi 1999). In Malaysia, the results of a mail survey administered to thirty eight companies showed that ISO14001 implementation did not motivate employees nor encouraged them to work willingly in teams (Tan 2005). Increasing employee motivation for environmental endeavors continues to be poorly understood. This paper aims to provide a motivation for investigating the impact of human resource management (HRM) practices on employee attitudes. An understanding of the human resource (soft) elements enables practitioners to bring about changes in employee behaviors.

2. The TQM and EMS link

Several researchers suggest that the development of an EMS may parallel the establishment of Total Quality Management (TQM) (Daily, *et al.* 2003, 2007, Klassen, and McLaughlin 1993; Curkovic 1998, Corbett, and Cutler 2000, Daily, and Huang 2001). As a matter of fact ISO 14001 is often referred to as total quality environmental management systems (TQEM) because the philosophies are closely aligned (Bansal, and Hunter 2003, Miles, and Rusell 1997). Among the various definitions of total quality management, Agus, and Abdullah (2000, 56) provides this definition, 'TQM is an approach to quality which emphasizes the involvement and commitment of every employee in an organization in order to provide quality products and services to the satisfaction of their customers'. In the second definition, Aboulnaga (1998, 65) describes TQM as including: 'focus of product and service quality towards customer expectation; all of the company's departments are involved;

ECONOMIC FEASIBILITY OF THE REENGINEERING PROJECTS

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Abstract

Fundamentally, a reengineering project should have, as its common objective, the delivery of a fully functional business/customer service. The reengineering project should be complementary to and supportive of business processes within the enterprise.

The paper presents an overview of economic feasibility of reengineering projects. Therefore various financial and accounting justification techniques such as payback period (PP), return on investment (ROI), net present value (NPV) and internal rate of return (IRR) are frequently used by managers in order to assess the economic aspects of the project. Furthermore, these methods could be misleading when employing too short payback periods or too high discount rates, neglecting various benefits of the reengineering projects or being unable to quantify them properly in financial terms.

Keywords: reengineering, project, economic feasibility, financial terms

JEL Classification: L21, M1, O33

1. Introduction

Contemporary business concepts of reengineering emphasize the importance role of a process orientation. Increasingly, organisations are structuring themselves around their business processes in order to improve responsiveness to business opportunities and threats, and adopting integrated software solutions that mirror and support the needs of their core business processes (Sedera, Rosemann, and Doebeli 2003).

The necessity of reengineering projects is conditioned by the advanced dynamism of the contemporary world, by the continuous and essential changes that take place inside and outside of the companies. The prosper companies that want to maintain forward their competitiveness, are being forced to change the corporative strategy and tactics all the time. Reengineering has been prescribed as an important tool for attaining and maintaining competitiveness. This exploratory empirical investigation into reengineering provides tentative avenues for increasing the probability of success of reengineering projects and raises many issues for further study of the reengineering phenomenon.

To elaborate the reengineering achievement program, the entrepreneurs must have as order of the day some fundamental questions regarding their own companies and the character of their activities: 'Why are we doing what we are doing? Why are we proceeding like that?'. Asking such fundamental questions, people are often forced to see from another perspective the rules already settled, according to which they administrate their business. And, very often, these rules prove to be overcome, irrational or even unacceptable (Bogdănoiu 2009).

Reengineering has nothing in common with the little partial improvements or the exciting ones, because it is destined to assure a general growth of efficiency, and, as a result, essential improvements are taking place. These last improvements are achieved by removing all the old and superannuated belongings and replacing them with new ones, of a greater vitality.

VERTICAL INTEGRATION IN HIGH-TRANSACTION COST SECTORS: THE CASE OF THE BULGARIAN PHARMACEUTICAL INDUSTRY

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Abstract

Economic theory provides various explanations for vertical integration but transaction costs seem to be a major determinant of backward, forward and lateral integration. The paper studies integration trends in the newly emerging Bulgarian pharmaceutical sector, seeking transaction cost explanations to the forward integration taking place in it. We hypothesize that asset specificity, above all, determines many of the organizational transformations and adaptations Bulgarian pharmaceutical companies are undergoing. Having special attributes, their products and assets seem to favour a larger size of the companies. Furthermore, as a low-trust, high-transaction cost economy, the Bulgarian economy dictates that a larger scale of operations be internalised within firms rather than carried out by the market.

Keywords: Vertical integration, transaction costs, asset specificity, distribution

JEL Classification: L42, I11, D86, D23

1. Introduction

It is commonly believed that vertical integration is an attempt to create monopoly and to seek rents. Monopoly theories of vertical integration explain it as the instrument of price discrimination and the creation of entry barriers. Alternatively, economic theory justifies integration on the grounds of efficiency achieved through greater economies of scale and scope resulting from mergers. Chandler (1966) maintains that when economies of scope between successive stages due to technological organizational interrelationships are strong enough, these activities should be provided under joint ownership. Such beliefs serve as the ground for the technological determinism behind vertical integration. Other explanations of vertical integration have been the avoidance of factor distortions in monopolized markets (Vernon, and Graham 1971, Schmalensee 1973, Warren-Boulton 1974) or the transfer of risk from one sector of the economy to another (Carlton 1979). In addition, some scholars emphasize that vertical integration can be an organizational form used to avoid taxes on intermediate products (Stigler 1951). In the context of transfer pricing and multinational corporations, vertical integration can be seen as a device to take advantage of the different treatment that national laws and tariff codes provide to the exports of products. Those exports may be treated differently within the boundaries of the firm and through interfirm exchange where intrafirm trade may be favored.

While all of the above might partly be reasons for vertical integration, transaction costs seem to be a chief determinant of vertical integration. The paper studies integration trends and gives transaction cost explanations to the recent developments in the newly emerging Bulgarian pharmaceutical sector. We try to show that asset specificity affects many of the organizational transformations and adaptations Bulgarian companies in the sector are undergoing. Their products and assets have special attributes that determine a larger size of the companies. Furthermore, being a low-trust, high-transaction cost economy, the Bulgarian economy dictates that a larger scale of operations be internalised within firms rather than carried out by the market. Thus, in their dilemma to make-or-buy, given the high market transaction costs in the country, pharmaceutical firms opt to make, rather than buy, which is a possible explanation for the forward integration trends.

The structure of the paper is as follows: Section 1 is an introduction. Section 2 discusses the institutional approach to the study of vertical integration stressing the transaction cost perspective. Section 3 presents the Bulgarian pharmaceutical sector as one of high asset specificity and a possible host for vertical integration. Section 4 examines the potential for empirical research. The paper ends with conclusions.

2. Transaction cost economizing effects of vertical integration

Scholars who question the technological origins of vertical integration adopt an institutional approach to explaining vertical mergers⁵. According to Williamson (1985, 87) decisions to integrate are rarely due to

⁵ Ours is not a comprehensive study of the literature on vertical integration.

THE ROLE OF THE MANAGEMENT IN KOSOVO SMEs, THE HELP THEY NEED TO OVERCOME THE ECONOMIC CRISIS

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Abstract

We must admit, whether we agree or not that the SMEs in Kosovo as well as in the majority of the world's economy are a driving force for an economic growth, as well as an important part of the national industry. The various flows of economic cycles in transition identify SMEs to be the promoters of the private initiative and necessary entrepreneur activities to face the economic crisis. SMEs have shown their advantage towards the other national industry because they have indicated to be flexible and ready to react quickly towards the market demands and with the same speed to adopt in changes within the environment. Even Kosovo, as an undevelopped economic country, experiencing a 20 years conflict, happens to be in a crossroad in order to determine the appropriate path to be followed that shall set forth the future of the national economy which under the current situation is very dependable and oriented towards importation of goods and services. The situation of the Kosovo SMEs can be described as difficult, as well as facing further difficulties to stabilize their own business and to compete with foreign products that are presented in the domestic market.

The way this problem is overcome in the European Union countries and in countries in transition, which needs to be taken as an example, is that such countries have controlled this problem through regulations or laws the help provide to the SMEs. This needs to be taken as a lesson by Kosovo, aiming to strengthen the SMEs to be capable to compete and grow in the market as well as to impact in national economic growth.

Keywords: Management, Small and Medium Enterprises (SME), economic growth, help, competition

JEL Classification: L0, L2, L26

1. Introduction

At the end of the past century and at the beginning of the 21st Century, the acronym 'SME' became an important part and frequently expressed by the economists, politicians and various media. This enabled to view the entire sector as a separate group which is distinguished from the traditional organization of economic enterprises judging by the size as well as from the characteristics of the ownership which make the Small and Medium Enterprises (SME) vary from others. These are enterprises of private property and in most cases, with less than 10 employees. The fact that they are private property makes them more flexible and adaptable to fulfil the market's demand and which in fact refers to the owner's entrepreneur skills. Being aware of the tough conditions in which the SMEs have developed and are developing, firstly the constant environmental changes, either domestic or external, such changes bring risk and uncertainty for the entrepreneurs. It is necessary to help and support the entrepreneurs from the very establishment of these enterprises and an ongoing support to their business aiming for their growth, enabling them a profitable and friendly environment for the private initiative by focusing on SMEs. This has to be performed by issuing laws that enable trust to invest in Kosovo making it attractive for both parties: local entrepreneurs as well as international ones. The approval of a legislation for business support is based on the European practices and was sponsored and supported by different European Agencies such as ADA (Austrian Development Agency), ATA (Academic Training Association-Netherlands), which are ongoing with the Project BSC (Business Start Up Centre), KCBS/USAID with their cluster project in Kosovo and their support of VSAT Project (Voucher Scheme of Advisory and Trainings). It should be noted that fundamental changes can be achieved only by changing the enterprise management approach, personnel, awareness towards the institutions, compliance towards global trends, also coping with the developments that constantly derive.

2. Definition of help and changes that need to take place for SMEs

There are different trends and cycles in transition economies such as: amendments of economic-policy systems, factors that help or obstruct the economy, change of the shape of business development, massive establishment of new enterprises, etc. Policies and development programs for SMEs in Kosovo were compiled in compliance with the recommendations of the European Charter for Small Enterprises in 2003 when Kosovo

ENTERPRISE MODELING BASED ON COMBINATION OF PROCESS AND REA VALUE CHAIN PERSPECTIVE

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Abstract

The paper focuses on enterprise business value chain modeling as an alternative to business process modeling. Well known REA methodology proposed by McCarthy and Geerts is used as the basic modeling framework. The research presented in the paper results in a generic semantic enterprise model using REA ontology. This rather static model is then converted into UML activity, sequence and state diagrams thus achieving dynamic view of the REA model. The dynamic REA view connects the process model and the value chain perspectives. It is shown that by using REA model transition called dynamization not only process models at task level can be achieved but also a consistency check of the REA model can be accomplished. By means of step by step value chain modeling of the enterprise a consistent process model can be reached preserving all advantages of the typical business process modeling methods.

Keywords: process model, value chain model, REA, production planning

JEL Classification: L15, L23, M11, O21

1. Introduction

Enterprises have been operating in global competition environment. They are forced to improve quality and flexibility of business operations in general. To achieve this goal, they need to understand the fundamentals of their processes with the appropriate theoretical background leading to process optimization and corresponding support by information technologies. Enterprise process optimization is typically based on business process modeling. There are also other modeling perspectives used like information technology (IT) view and business value chain perspective. While the business process perspective concentrates on business processes and workflows aiming to describe company operations, the value chain perspective illustrates the value flows among the participants inside and outside the company. One of important advantages of the value flow modeling is that it captures the cross concern activities and represents the actual aim of the business processes – the value exchanges between the company and the environment. On the other side, the value chain perspective does not capture process sequences and states. It is often assumed that business process and values chain modeling are difficult to interconnect.

In this paper we focus on value chain modeling perspective and possibilities of its interconnection to business process modeling perspective. First, the foundations of value chain methodology are presented and the leading value chain methodology REA (Resources – Events – Agents) is described. Next, the notion of REA operational and REA policy levels and their relation to controlling and controlled company units is presented. This static representation of a company is then supplemented by dynamic views of value chain models presented in form of UML diagrams. This leads to possibility to formulate business process models based on the REA methodology. The last Section presents final discussion and outlines of further research orientation.

2. Value chain models and the REA methodology

New modeling and system design techniques are required for information technologies that can support the enterprise in achieving and sustaining the necessary flexibility. Current techniques use business process models, representing the operations inside the company from the control, data flow, resource handling and co-



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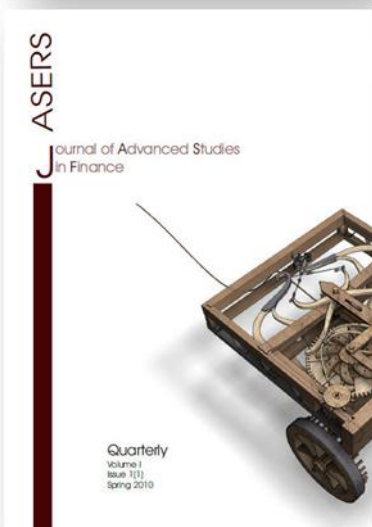
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