NEW BUSINESS MODELS

MANAGING BUSINESS MODEL IN FUNCTION OF ORGANIZATIONAL DYNAMISM

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Abstract: *One of the most challenging managerial attempts nowadays is undoubtedly strive for creation of a business model which would best integrate the organizational position towards the external adaptation and integral integration. This managerial process is a logical continuation of modeling the competitive advantage of a certain enterprise, in such a way that the organizational learning would best integrate the used, not the overall organizational knowledge, the flexibility of the organizational systems would determine the potential of the behavioral processes and that the changes oriented towards innovation would enable strategic positioning regarding the existing and potential competition.*

The prior objective of creating and further managing a business model is achieving an integrated and pro-active combination of elements that implement the needs of an organizational dynamism, in the process of problem analyzing of sustainable dimensions of the competitive advantage. Therefore, its ultimate target is managing a Customer – integrated Business model, as one that places an 'integrated importance' to the role of the customer within managing the organizational competitive advantage.

Key words: *Business model, strategic positioning, organizational inertia and dynamism, pro-activity and strategic flexibility, customer-integrated model*

INTRODUCTION

Business modeling and the process of managing it has emerged it's importance for an applicative usage from the mid 1960's when dynamic companies, such as IBM – in main framing the computer from industrial to predominantly personal, Sears Roebuck – in shifting from overall catalogue offer to a retailing specialized catalogues, Motorola – from consumer electronics - operating method to high-technology added value in telecommunications, mobile and internet based competitive model, IKEA - from immense non compositional to separate segmented business offer, and many others, have identified the necessity of *changing the dominant business logic*, with regards to the contingency analyses of the internal and external stimulus, determinants and obstacles for a prominent and recognizable sustained competitiveness.

Each organized effort for planning and implementing a certain *business model* integrates not only the organizational, but also the departmental level, especially to those organizational units which are most critical for a proper determination and combination of business elements whose relationship and inter-dependence forms the scope and depth of the competitive potential of any enterprise. In this context, business modeling is far more a process than a state, predominantly due to the needed changes, transformational or transactional, that shape the process of managing it.

1. METHODOLOGICAL DETERMINATION AND ELEMENTS OF BUSINESS MODEL

Despite the fact that applicative importance of business modeling has emerged from the mid 1960"s, up to the end of 1990"s their hasn"t been a unified and accepted methodological framework for *managing an organizational business model*, which inter-relates with the increase of the need for a planned, not an incidental organizational change, mainly focused on changes for adopting the strategies to the complex

environment. However, it is quite important to emphasize that *the concept of business modeling is far from applying the organizational strategy, or operative accommodation of strategic elements*. In detailing the desired nature and capacity of their business model, every organization focuses on their *particular combination of resources - especially the used knowledge, skills, capabilities and experience, on one hand, with the capacity for pro-active behavior, strategic flexibility and organizational inertia, on the other hand, both of them aimed at reaching the state of organizational dynamism*.

The fundamental logic of the business model is *finding out the key value – adding resources and capabilities and integrating them in accordance with the organizational strategy, structure, systems and human resources*. *Theoretical defining of a business model* presents a variety of methodological approaches, which determine it as the following:

- *The method of doing business by which a company can sustain itself through generating revenue* (Chesbrough & Rosenbloom, 2002)*;*
- *Firm's intended or actual response to how value is created or appropriated (*Magretta, 2002*)*
- *Design of organizational structures (Baden-Fuller & Morgan, 2010), such as boundary – spanning transactive structures (*Amit & Zott, 2001*);*
- *An operational tool expressing the business logic of an organization (*Osterwalder, 2004*);*
- *A convention between partners concerning the generation and sharing of value among stakeholders (*Verstraete & Jouison, 2007*);*
- *A firm's underlying logic and strategic choices to create and capture value within a value network (*Shafer, Smith & Linder, 2005*) and the most prominent and influencing definition in the business modeling literature is:*
- *An architecture for the product or service, an information flow, a description of the benefits for the business actors involved, and a description of the sources of revenue (*Timmers, 1998*).*

It is evident from majority of the above detailed definitions that business model initially *refers to using a „dual business developmental perspective*", in terms that it simultaneously stipulates, in our profound analyses, the following organizational counter-parts:

- *Pragmatism and innovative changes;*
- *Integrity and particularization;*
- *Management and leadership;*
- *Adaptively and pro-actively performing*
- *Short – term profit orientation and long – term business value maximization;*
- *Strategic choices and user generated operational context etc.*

Each business model integrates various *constitutional elements*, predominantly determined and described through the following Table:

1. The initial element of each business model is *value proposition*, which refers to the perceived value benefit, which a customer would get from the specific combination of the organizational products or services. It precisely determines *the quality features* which are prevalent for the customer from the organizational offer. This first element details *the cognitive offer view* which, in fact, is dominant for the perceived value from the transactions with the specified organization.
2. In order to accommodate the numerous products or services to the most particular customer demands, an organization has to undertake changes in order to position itself in front of the *target customer* – the model of interdependence starts from *identifying the customer portfolio which can be best served with organizational products and services* that have undergone transactional or transformational changes. The importance of this second business model element lies in *clear determination of the customer wishes, tendencies, motives, expectations, benefits etc.*, received with the act of purchasing the product or service.

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Table 1 Business model elements

No.	Element of business model	Description
1.	**Value proposition**	*An overall view of the company's bundle of products and services*
2.	**Target customer**	*Segments of customers a company wants to offer value to*
3.	**Customer handling/distribution channel**	*Various means of the company to get in touch with it's customers*
4.	**Customer interfaces/relationship**	*Kinds of links a company establishes between itself and its different customer segments*
5.	**Value configuration**	*Arrangement of activities and resources*
6.	**Capability/core competency**	*Competencies necessary to execute the company's business model*
7.	**Partner network**	*Network of cooperative agreements with other companies necessary to efficiently offer and commercialize value*
8.	**Cost structure**	*Monetary consequences of the means employed in the business model*
9.	**Revenue model**	*A way a company makes money through a variety of revenue flaws*

Source: Adopted according to Osterwalder, A., Pigneur, Y. & Tuchi, C.L. (2005), Clarifying Business Models: Origins, Present and Future of the Concept, *Communication of the AIS,* Vol.16 (1), p.13

3. The process of achieving a *full alignment with the identified need*s, in a broader meaning of the word, includes a proper way of handling them, through the distributive channels. As a third element, *customer handling/distribution channel integrates all communicational approaches* in order to create a sense of satisfaction at a specific customer, in terms of mutual articulating, gestures, emphasizing common interest of both sides etc. The only exception of this element is at public tenders, in which case this element is included in the following one – customer interface/relationship
4. Each customer, as a member of various determined target customer segments, possesses different means of establishing and developing a closer relationship, which is done in the element *customer interfaces/relationship*. It implies that, with regards to the handling method, the complete relationship is build with an accent to the *stimulus for a customer segmented satisfaction*, which is highly important especially for the higher customer segments which want a clear distinction in satisfying their determined needs.
5. Very after the relations with the customers have been set up, the company should create a *specific combination for optimal usage of its resources and capabilities*, particularly processes and activities which add value for the customers, which is done in the fifth business model element – *value configuration*. It is important that each organizational configuration of resources and capabilities *must be unique* compared to other companies, as well as compared to various customer segments. It details *the capacity of the organization to be original* in satisfying its customers.
6. In certain circumstances, an organization could be able to integrate its resources and capabilities pro-actively, but would not bear the needed competencies for implementing the desired business model – it is the focal point of the sixth element, i.e. *capability/core competency*. As an applicative element, it stipulates that *core organizational competencies are expected to be sustained*, and therefore to influence to a *more complete delivering the promised organizational outcome* – benefit from the products or services for the customers.

7. *Partner network*, as an element of the business model refers to the undeniable truth that *each organization can not be specialized in every business function*. The tendency for finding out a solid and serious network of business partners would result in bringing about *higher quality of the performance for lower costs*. Its focus is towards an increased efficiency and at the same time commercializing the benefits that arises from the achieved value for the targeted customers.
8. It is useful to measure invested money in increasing the level of satisfaction of the customer segments. Therefore, in the element named *cost structure*, an organization makes efforts to *leverage the benefits*, in order to determine *which means of effecting value configuration are priority, and which are of a second level of importance*. The cost structure should not lower the promised quality level to the customers, and at the same time it is not expected to be based on a non-sustainable combination of resources and capabilities.
9. Finally, business model finalizes with creation of *revenue model* – which implies that an organization should determine *the level of risk exposure for different revenue flaws*, in order to enable itself to put priority to those that are best suited to the contingency combination of internal and external elements. The importance of revenue model is *categorizing the revenue flaws in accordance with the degree of prosperity and potential for influencing its competitive advantage*.

Every element of the business model influences to the fulfillment of the consecutive one, as well as to the overall effectiveness and efficiency of the created business model, in which, as *most creative and sensitive elements usually are perceived target customer, value configuration, building capability/core competency and partner network elements*.

A categorization of the elements of the business model which pays prevalent attention to *using transformational strategy for changes* is detailed as constituted of the following *integral business model elements (*Yip 2004):

- *Value proposition,*
- *Nature of inputs,*
- *How to transform inputs (including technology),*
- *Nature of outputs,*
- *Vertical scope,*
- *Horizontal scope,*
- *Geographic scope,*
- *Nature of customers,*
- *Organization of the model.*

The most important difference of the last model, compared to the first, previously detailed business model is in *the position of the customers*, which is on the 8-th level. The prior reason for it lies in the fact that *in strategic modeling of the business, customers are initially positioned, as an element which influences to all other elements*. In this context, customers on the 8-th level may manifest certain variability with regards to a closer integration of the resource/capability combination compared to the desired level of customer satisfaction.

Besides these 2 business model concepts, the most intriguing issue in creating and managing most efficient business model is in the *proper combination of resources and competencies, aimed at adding value to the organizational performance*. A model which pays most attention to it is named *RCOV model (Resources and Competencies, Value Proposition, Organization)*, in which *each combination of the resources and competencies is measured through its marginal influence to the customer quantitative and qualitative benefit*. The presentation of the approach, in combining the elements of this *configurative business model* would best be detailed on the following Figure:

It is evident that the *integration of elements of the RCOV business model is done through organizational and customer learning, socialization and acquisition of new customers, offer specification, production and/or distribution by the customers*, resulting in the *customer integrated character of this model*, although the very customer is not an element of the model, but may appear within the dimension external organization

Figure 1 The RCOV Business model (Demil & Lecocq, 2010)

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2. MANAGING PRO-ACTIVITY, ORGANIZATIONAL INERTIA, STRATEGIC POSITIONING AND FLEXIBILITY FOR ORGANIZATIONAL DYNAMISM

In order to increase the level of successfulness, each business model is expected to execute certain *management criteria for success of a business mode (*Rasler 2010), among which, as most applicable, arise the following:

- *A pro-active business approach that turns out thoughts into looking for business and our marketing strategies to creating a need and away from a current business model where marketing focuses on fulfilling a need and waiting for the customer to ring,* undertaken through these *managerial steps:*
    - *Figuring out the company culture,*
    - *Putting a business plan in place,*
    - *Showing leadership, and*
    - *Recruiting and retaining top performers.*
- *Business model constitutes a change in company culture, one that allows us to plan and one that still maintains a sense of urgency. The new culture is about creating more opportunities and building relationships.*

Organizational pro-activity is higher at experienced organization, compared to young and start-up companies, in which the manifestations of *organizational inertia*, especially the structural one, emerge owing to the *managerial determination* (Marx 2008) that *less subject to structural inertia, young organizations may seem more adaptive than established firms, but their agility depends critically on the availability of resources to pursue multiple paths, aimed at reaching strategic continuity.*

The integration of pro-activity and organizational inertia leads to a proper determination and consecutive application of the concept of *strategic positioning for managing business models*, which is fundamentally consisted of the following constitutive elements (Porter, 1997):

- *The right goal,*
- *A value proposition,*
- *A distinctive value chain,*
- *Trade – offs,*
- *Fit among strategy elements,*
- *Continuity of direction.*

The managerial challenge is to inter-relate these elements in order *to achieve an organizational dynamism, from their predominant static character*, like it has been achieved in Ikea, Neutrogena etc. In doing so, an organization should initially attempt to achieve its *strategic flexibility*, a propulsive business concept that is theoretically determined as:

- *The ability to identify innovation opportunities, commit resources to new courses of action, or reverse unproductive resource deployment (*Shimizu and Hitt, 2004; Uhlenbruck, 2003).

Strategic flexibility is influenced by organizational structures and dynamic capabilities, on one hand, and on the other hand it influences the *organizational dynamism*, which in return is critical for creating and managing of *dynamic business model* through *reducing the structural complexity and making full use of a pro-active organizational culture*. Key determinant in the organizational dynamism are *dynamic capabilities*, which refer to:

- *A learned and stable pattern of collective activity through which the organization systematically generates and modifies its operating routines in pursuit of improved effectiveness* (Zollo and Winter, 2002).

In creating a *dynamic business model*, *dynamic capabilities are inter-related with the forms of knowledge* needed for anticipating and proper effecting of customer needs through structures and routines, on the following *managerial approach for their dynamic integration(*Mason and Leek *2008)*:

- *A relationship between the structures and routines is captured by a firm's business model,*
- *Exists a constant and iterative need for creating and sharing know-how to drive improvements to both structures and routines.*

Actual *dynamic change model* which fulfills the above detailed managerial approaches would best be presented on the following Figure:

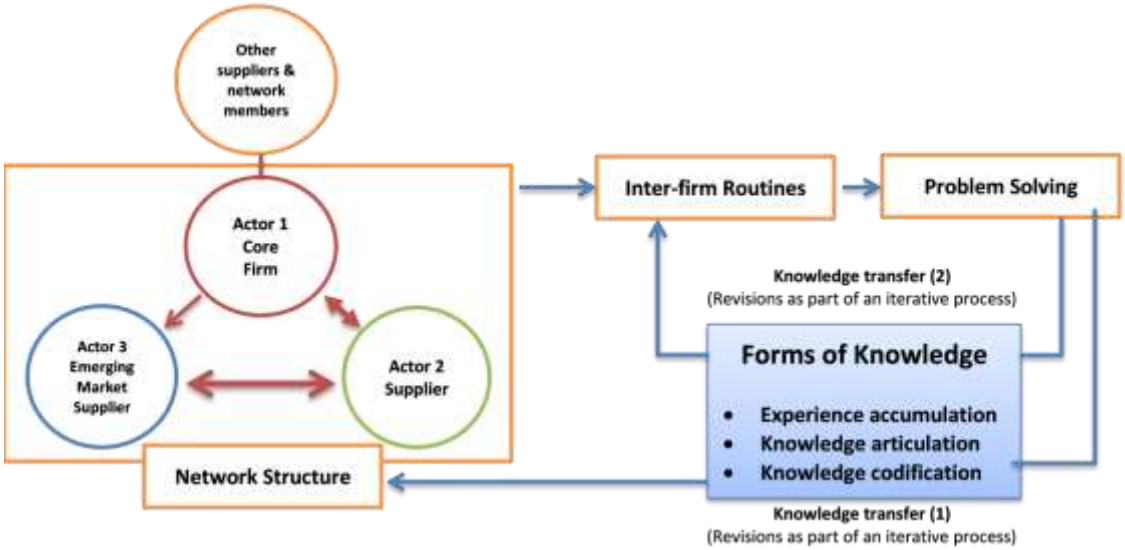

Figure 2 A dynamic Business model (Mason and Leek, 2008)

Fundamentally, in order to *manage pro-actively the dynamic character of the business model*, it is essential to *adopt the need and form of the knowledge to the internal combination of structures and routines, on one hand, and to the nature and depth of the needs of the specific external customer segment, on the other hand*

3. CONCLUSION

Each organized effort for planning and implementing a certain business model integrates not only the organizational, but also the departmental level, especially to those organizational units which are most critical

for a proper determination and combination of business elements whose relationship and inter-dependence forms the scope and depth of the competitive potential of any enterprise. In this context, business modeling is far more a process than a state, predominantly due to the needed changes, transformational or transactional, that shape the process of managing it.

However, it is quite important to emphasize that the concept of business modeling is far from applying the organizational strategy, or operative accommodation of strategic elements. In detailing the desired nature and capacity of their business model, every organization focuses on their particular combination of resources - especially the used knowledge, skills, capabilities and experience, on one hand, with the capacity for pro-active behavior, strategic flexibility and organizational inertia, on the other hand, both of them aimed at reaching the state of organizational dynamism.

Each business model integrates various constitutional elements, predominantly determined as: value proposition, target customer, customer handling/distribution channel, customer interfaces/relationship, value configuration, capability/core competency, partner network, cost structure and revenue model.

The most intriguing issue in creating and managing most efficient business model is in the proper combination of resources and competencies, aimed at adding value to the organizational performance. A model which pays most attention to it is named RCOV (Resources and Competencies, Value Proposition, Organization) model, in which each combination of the resources and competencies is measured through its marginal influence to the customer quantitative and qualitative benefit.

The integration of pro-activity and organizational inertia leads to a proper determination and consecutive application of the concept of strategic positioning for managing business models. Strategic flexibility is influenced by organizational structures and dynamic capabilities, on one hand, and on the other hand it influences the organizational dynamism, which in return is critical for creating and managing of dynamic business model, through reducing the structural complexity and making full use of a pro-active organizational culture.

Fundamentally, in order to manage pro-actively the dynamic character of the business model, it is essential to adopt the need and form of the knowledge to the internal combination of structures and routines, on one hand, and to the nature and depth of the needs of the specific external customer segment, on the other hand.

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INNOVATIVE APPROACH TO THE ANALYSIS OF THE SPA TOURISM IN VOJVODINA (SERBIA)

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Abstract: *Along with other neighboring countries in the region of the Pannonia plane, Vojvodina (Serbia) lies on rich thermal springs which can be listed among the world largest. Contrary to the fact that the rich in water is equal, Important and urgent task is to include Spa centers in Vojvodina in an integral cooperation. Practice shows that economic growth can only be achieved by laying good foundations and having a network of common goals. Numerous weaknesses and errors were noticed, primarily in stakeholder analysis, benchmarking, organization and marketing which all hinder the possible development of the Spa tourism in Vojvodina. In this article, on the basis of the research problem, authors wish to highlight the importance of expansion of the methods and techniques which are needed and urgent for improvement and promotion of Vojvodina Spa tourism in the region.*

Keywords*: spa tourism, stakeholder analyses, foreign experiences, regional development*

1. INTRODUCTION

According to world assessment there are more than 71600 spas, employing 1.2 million people (European Spa Magazine, 2008) “Europe is the largest region of Spa tourism in the world with over 22607 spas and revenue of about 18 billion US dollars.” (Global Spa Economy, Report, 2007). According to most studies (Ellis, 2008) spa and wellness tourism based on thermal and healing springs will become a leading part of health tourism by 2015. Neighboring Hungary is very rich in thermal springs, about 80% of the total country lies on thermal waters; it is fifth in the world after Island, USA, Italy and Japan. Serbia is also in a favorable position, and it is rich in thermal springs. Spa tourism in Hungary has grown from 12.7 million to 16.1 million guests in the period from 2000-2004. According to the strategic development program of Hungary (Szechenyiterv), 74 spas have received state subsidies, out of which 60 spas used that subsidy by the end of 2006.

For comparison purposes the tourism region of Southern Pannonia Plane of Hungary and Vojvodina as a tourism region in Serbia will be observed. By comparing the two closest tourism regions (Southern Pannonia Plane – Dél Magyarországi régió and Vojvodina from Serbia) it already becomes noticeable that Vojvodina region makes only half of the revenue compared to the observed region in Hungary. (See tables 1 and 2). It should be mentioned that, as far as the tourism and spa capacities go, that is even the leading region in Hungary (cumulative data of the Danube region – Dunántúl. Table 1). Especially, we need to say that this is not related to the leading tourist region in Hungary.

Table 1: Number of tourist nights in Hungary, in period Jan-Sept 2012 (iKSH 2013)

Tourist region	I–III. quarter cumulative
Middle Hungary (Közép-Magyarország)	6110759
Middle Közép-Dunántúl	1995155
West Nyugat-Dunántúl	3539167
South Dél-Dunántúl	1823853
Dunántúl	7358175
Northern HungaryÉszak-Magyarország	1338761
Norther Pannonia valeÉszak-Alföld	1453362
Southern valeDél-Alföld	1009215
Vale and the NorthAlföldésÉszak	3801338
Hungary Total	17270272

Table 2: Number of tourist nights in Serbia, in period Jan-Sept 2012 (RZS, 2012)

Tourist region in Serbia	Number of tourist nights
Belgrade region	1084240
Vojvodina region	572491
Sumadija region and Western Serbia	2442740
Southern and Eastern Serbia	1076651
Republic of Serbia Total	5176122

The state of Hungary takes care of its, so-called, prominent tourist regions and destinations, and it offers additional financial aid and support when applying to EU funds for development projects. In the so-called "prominent" regions in the area of health tourism in Hungary belong Dél-Alföld (Southern Pannonia vale), Észak-Alföld (Northern Pannonia vale), Nyugat-Dunántúl (West Danube region) (ROP 2013).

In Hungary, the strategically defined tourism development goal (which had in itself the development of spa and wellness tourism) was followed by, among other things, by specific activities which included research of stakeholders in that niche and the development of cluster cooperation. Various studies point out the significance of real and thought-out planning, flexibility in forming development plans of spa center, logical thinking and an entrepreneurial spirit. On a bilateral plan between Hungary and Serbia the strategy of common approach to spa tourism is being formed under the name "Cooling Cubes" in the gravitational area of the Budapest-Belgrade highway. The project is so far entrusted to the Agency for regional development. Certain parameters in the area of finance and joint ventures are developed in such a way that they support the projects, and if necessary, secure the investment part (with the application on EU projects).

The goal of spa clusters is to set up cooperation between spas, businesses, social organizations, NGOs, all the way up to State level. Cooperation is spreading from bilateral to multilateral level when it is expanded to regions of Romania (connecting as the Spa cluster of Hungary's Southern region). With various arrangements of cooperation, we are closer to the goal of creating a common tourist brand, irrelevant of borders, because "our chance is in networking". (http://www.datekla.eu/index. php?ln=hu&cid=2021&id=44)
The starting hypothesis of work is that the ones who offer spa services in Vojvodina are not doing enough preliminary analysis of the potential stakeholders on different basis, and thus their communication with existing or potential investors is not attractive and the interest of starting investors is soon lost.

According to literature (Scott, Baggio, 2008), in most cases the examples of such data collecting is hard to find. Unfortunately, it is also noticeable that the generic methods of the stakeholder analysis are left out, let alone supported or expanded by additional methods and techniques. By researching these aspects we had to accept the fact that "some of our examinees do not accept our plea for cooperation" (Kovacs, Bacsi, Loke, 2012) which were the same problems that the researchers in Hungary came across.

One of the problems with the tender holders is that often they search for only one large investor (who then becomes the sole responsible person for the project). Those kinds of investors are always low in number. That approach can limit the circle of potential partners from the very start. That problem already occurred in spa Kanjiža (unsuccessful project of investment in the hotel and wellness park http://www.banja-kanjiza.com/node/3/Planovi) and with Master Plan Palić. Most investors are hard to accept the sole responsibility of the complete investment. Positive exceptions are for example the construction of the aqua park in Bački Petrovac where a Slovak company "Aqua term invest" invested 8.5 million Euros in the first stage of 2012. The Becej complex is also in the process of joint investment with the help of Aquaprofit from Hungary (Vital Spa). With more sophisticated research of potential stakeholders several smaller, secondary ones, could be found which could achieve the wanted potential for the start and maintenance of a project.

Even though destinations can be familiar to domestic tourists, they are still a mystery to foreign ones." (Smith, Pucko, 2010 page 278). An additional problem can be a rough approach due to the under-developed road infrastructure or a complicated route. There is also a possibility of a so-called "tunnel-effect" where the highway leads the travelers to major cities towards which the highway traffic is funneled. (Szügyi, Sefcsich, 2011) On the basis of this phenomenon spa Kanjiža, even Bečej near Tisa or spa Bezdan, spa Junaković and the municipality of Apatin near the Danube remain pretty isolated. Highways have positive gravity effects on tourist for big cities (centers).

2. MATERIALS AND METHODS

Successful projects based on the studies (Kovacs, 2012) are always founded on a well segmented market of supply and demand. Precise categorization of spas, (waters as a potential are sometimes referred to as hardware, sometimes as software) is the first step to attract someone with development ambition (of capacities and services). Good example for that is the spa Heviz from Hungary. By the way, the most recognition among guests get the spas with more healing properties or a health tradition like the most famous spas (e.g. Balatonfüred, Bükk, Debrecen, Eger,Gyöngyös, Gyula, Hajdúszoboszló, Harkány, Hévíz, Miskolc, Parád, Sopron, Zalakaros) and in the promotion of spa (historical ambience) buildings, and the quality of service, which makes Heviz one of the most recognized spa centers in the region.

According to literature (Smith, Puczko 2009) a general guideline of the development activities is given by the very classification of waters, as a leading content in spa tourism. Basic categories are: (Smith, Pucko, 2010 ,86):

- Mineral waters – which contain an amount of dissolved mineral content, minimum is 500 mg/l or 1000 mg/l
- Thermal waters – natural water which has at least 30° C or 32° C at the spring (this can vary from country to country)
- Healing waters – healing effect needs to be proven or based in the medical and therapeutic effects-evidence. (There are various attempts, but they mostly do not measure up to world unified standards, e.g. see Spa Evidence 2013). There is an action in Hungary to collect data on yet insufficiently analyzed waters, so they could expand their offer of medical treatments, or to create more attractive and smaller (less known) springs and to attract potential investors.

Stated categories of waters already create clear segments of potential tourists and potential investors. By the next segmentation, it is possible to better differentiate the circle of guests and gravity of other interested groups. The basic forms of spas are (Smith, Puczko 2009, 87)

- Spa as a place of healing with certain means and methods.
- Spa as a center of health for free time, rest and recuperation.
- Spa as the most important center of a region, intended for vacation.
- Spa as a sports center with special offers for various sports (winter, water, golf, riding, etc.)
- Spa as a cultural center.
- Spa as a congress center.

Nowadays management of spa and wellness capacities is becoming a more complex task, especially with the development of new products – services (with the ambition to attract new market segments). This task demands good definition and differentiation of spas, their infrastructural potentials as well as management and communication models. Management, marketing, organizational challenges – as problems, are only going to manifest and grow if behind it all is not an inherited natural wealth, or newly created conditions (infrastructural) which are often demanded by foreign tourists.

Spa or wellness center cannot contain everything in its offer. Setting a clear categorization is very important also for preforming a stakeholder analysis. Maybe the most encompassing categorization of SPA centers comes from ISPA 2006: (Smith, Pucko, 2010, 87):

- Club Spa – object that primarily offers fitness services, as well as some other services for ordinary spa users in the broader sense;
- Day Spa – object that offers beauty programs, fitness and wellness programs, without accommodation and the length of the service can be from one hour to the whole day;
- Spa hotels – offer accommodation for a few days with all (inclusive) programs designed to provide physical and spiritual balance;
- Holistic Spa – spas which offer alternative therapy and diets in an effort to make a positive change in their guests;
- Medicinal Spa – object that offers traditional and complementary therapy treatments and health protection, as well as other spa services and can be included as health institutions;
- Bath – spa constructed to use the natural mineral, medicinal or sea water which is on that location, offering hydrotherapy to their guests;
- Resort Spa – vacation place separated from cities and villages, spa location is set in the beautiful natural ambience, offering a wide selection of wellness services and top programs for guests;
- Sport Spa –offering spa services and special sport programs;
- Structural Spa – establishing an operational goal towards strict rules, which offers the guests the opportunity for reaching a certain goal.

The last segmentation of spa types is very important as a possible start basis and stakeholder analysis aspect. By going into these categories, from the aspect of certain spas or springs, we come to very clear possible interest circles from the supply as well as from the demand side.

Based on the preliminary statements authors suggest an approach by which multiple methods would be included into the research thus ensuring a clearer picture on the questions of spa tourism, and at the end sure recommendations on future activities needed to ensure positive results. In order to solve this core problem we suggest use of, parallel to the expert grading, other modern methods.

General overview of recommended/used methods for more complete – wider analysis of the stakeholders can be:

- Benchmarking,
- Stakeholder mapping,
- Social Network Analysis.

2.1. Benchmarking aspects

As the beginning step of the stakeholder analysis, we suggest contemplation of several benchmarking aspects which have been used with successfully managed projects in Hungary. This step helps in clearing crucial management and marketing questions, as: defining basic and side businesses, potential users, other financial as well as engineering aspects. It is important to mention that successful destinations have additional content in their service offer. General practice in benchmarking is to compare or take the best practice as the base value. Aspects can be various, and taking for example “Hungarian Spas”, which very much behind compared to spas from developed EU countries. Compared to German, Austrian, Italian and Slovenian centers of this type Hungarian spa are 15-20 years behind. (Kovacs, 2011) Benchmarking of spas is done on the basis of collected and calculated data (often) obtained from the very spa operators. Benchmarking of spas can be divided into three categories:

a. Spa profile benchmarking (Cohen, Bodeker, 2008, 55) - allows for the comparison of spa characteristics and quality. E.g. Number of spas, different spa types, location, size, facilities, business infrastructure, infrastructure and available capacities, offered services, price formation, etc. ... (Cohen, Bodeker, 2008,56)

b. Spa performance benchmarking (results) is related to comparison of various indicators: profit, expenses, guests, human/business potential,etc.

c. Ratios benchmarking – mainly the same indicators are observed as in spa performance benchmarking.

Additional valuable data can be obtained with analysis of local inhabitants. Primarily we can observe their attitude towards the spa and tourists (Kovacs, Bacsi, Loke, 2011, 59 tab. 3.3) and socio-demographic aspects of tourism sustainability in that location. Considering the effect which the spa would have on that region or city/community, socio-economic aspects, as well as other attractions in the vicinity or region as a potential for tourism development.

2.2. Stakeholder analysis

Stakeholders are, as interested initiators and carriers of the realization of the idea of the spa tourism, present in various groups from the world of economy, society and politics, for example:

- Tourists (different types, with different motivations), patients (at treatments, rehabilitation, etc.),
- The health care (institutions, professional employment, educational background)
- The academic sector- State and private universities, institutions, education centers and other science and research institutions from the corresponding areas,
- Regional administration and government officials (often in the role of regulators, creating strategies for the development of tourism, working out the layout of the facilities, decisions about marketing and advertising in tourism, building the infrastructure, promotion of tourism, the administration of the public income for tourism, the state- ministries (for example the ministries of economy, environment, agriculture. The education of the government organization and institutions)
- TOS,- National Corporation, - PUC Srbija Šume, PUC Vode Srbije, National resorts LTO
- One stop shop full service centers, centers for tourism, media of the local community, NVO
- Strategic and other investors, local and foreign and direct partners in PPP
- International agencies for development (International agencies for development, USAID, GTZ, EU, WB, UNDP, FAO, SIDA, WTO and others)
- Promoters of the development of tourism (Economic chambers, Marketing companies, non-government organizations)
- Industrial operators- (Tour operators, touristic agencies, hotels, B&B, other accommodation facilities, hostels, restaurants and cafés and other service providers, shops, traffic companies and other transport services.
- Gaming industry, etc.

- Agency and other tourism middle men – indirectly involves companies in the tourism value chain connected to operators and investors (e.g. outsourcing, organic and other foods, marketing services, financial services, software services, civil engineering companies)

All public companies in their nature do not have much motive for change. Gain that needs to represent the main moving force does not have such significance in the public sector. The concept of public sector is gradually changing towards creation of an efficient and profitable public sector and that demand is arising as a necessity. The public sector must remain oriented towards satisfying customers' needs in an efficient and responsible way." (Domazet, 2008)

Different subjects at a tourist destination (commonly marked as stakeholders, players, participants in the tourist business, etc.) are informed about each other, or about the cooperation and creation of various partnerships (not on the competition). Their potentials are measured also in the performance and capability of successful dealings in planned tourism development at that destination having one common goal – to secure highly qualified and integrated tourist product to a particular market. Considering these aspects, stakeholders in Hungary have presented themselves much more clearly and with more coordination, while stakeholders in the Vojvodina marketing strategy are not differentiated. In a researchers development project they are referred to as a unique opinion "group" – interviewee. Often municipalities and local authorities are faced with a difficult problem of transferring the public resources for the use in private sector. The problem is that then they are sold (privatized) or rented in various usage forms (e.g. concessions) by creating contract terms in PPP cooperation (e.g. very hard debates have been in Spa Vrdnik).

2.3. Social Network Analysis in Spa Tourism

In order to overcome stated problems, we suggest use of the Social Network Analysis methodology.
Stakeholder analysis can be improved with terms (measures) using Social Network Analysis methodology. These terms or sizes can easily be applied with stakeholder analysis in tourism (Scott, Baggio, Cooper C, 2008). (Measures such as size, inclusion, components, availability, density, centralization, symmetry, transitivity, etc.) Several possible indicators - measures for potential defining of networked stakeholders. Those measures and definitions can show the nature of a wanted or existing network of stakeholders in a very good way. (With this expansion we get the possibility of better comprehension of roles and characteristics of certain stakeholders. It is possible to achieve compatibility of various software tools (e.g. UCINET, GRADAP) when quantifying the stakeholder relationship or even simulating their mutual potential.

Some other measures, involved in Social network analyzes methodology, According to Typical Social Network Measures of Ties (Brass, 1995) E.g. Indirect links, the frequency, the stability, the symmetry, Typical Social Network Measures Assigned to Individual Actors (Brass, 1995) can be also useful when defined for determining the power of Degree, In-degree, Out-degree, Range (Diversity), Closeness, Betweeness, Centrality, Prestige, Roles, Star, Liaison, Bridge, Gatekeeper, Isolate. Including the measures of Social Network Analyses helps the accuracy of identifying the most powerful actors from the list of stakeholders. It can help to answer the questions, what emotional interest do they have in the outcome of work? Is it definitely positive or negative? What motivates them most of all? What information do they need? Especially in Serbia where the tourism management and the commercial tourism industry often represent two very different systems that operates on very different assumptions and requirements. but that usually claim to the same resources

3. RESULTS

Experience of Hungary and other countries as a comparison for the analysis of noticed errors in the development functioning of spas in Vojvodina (Serbia)

- Undefined regionalization in (spa) tourism – Spas in Europe show a tendency to develop into regional centers of health, with a more prominent advance on international markets where they are represented by the health system. Others are relatively isolated from crisis influences thanks to the characteristics of the health tourism, with a condition that they are continuingly perfecting their quality and service. Unclear segmentation in offer and demand is a poor attractor of consumers and potential investors are not targeted. Incomplete offer without support of a wider set of necessary functions results in a loss of competitive status.
- Development should be based on complex services (health tourism) – healing with healing waters.
- There is no list of stakeholders (missing) with local tourist organizations so the necessary actors in the spa tourism are not known. Tourist cluster Subotica-Palic has done certain research of stakeholder's circle including the degree of their interest and satisfaction but the results of that research are not recognized or included in any business politic (Izabel Lanji Hnis, 2013)
- Receiving funds for financing the function – Here it is a characteristic that spa visitors are mostly those people who go through a health security fund (those who are ill) and those who have enough money

for rest and relaxation – an important segment of Serbian tourism which has over 50% of accommodation capacities and makes more than 50% of sleep-overs from domestic tourists. The number of foreign visitors is very low and the number of sleep-overs is relative considering the number of sleep-overs achieved in spas abroad.

- Clouded and unclear privatization and negotiations on development projects. A mistake would be to limit the possibility of attendance of other investors, who see opportunity in tourism, from international investment funds to individuals – physical persons who wish to invest in their own small capacities (accommodations). For years there has been "covert communication" which destroys the group (of other) interested stakeholders, and instead to attract them it only makes the primary candidates quit up front. True example of this is Spa Palic and its unclear destiny. From a development point of view projects who work parallel on both wellness hotels and spa capacities should be preferred. If possible thermal springs should be included, and not fill the pools with ordinary city water. Negative example in Kanjiza is the projected Hotel Ana. Last changes in the project Spa Kanjiza are connected with so-called Vekerle project from Hungary. (http://www.magyarszo.com/hu/1920/vajdasag_magyarkanizsa/ accessed 22.04.2013)
- Undeveloped system of social security care and health expense covering. Institutions are neglected and financially they close business very difficult.
- There are further developments in domestic tourism in Hungary, with special interest in state subvention vouchers for excursions and tourist stays, which business owners can buy, as well as so-called mess-hall vouchers for the employed in public services, which affected the increase in the stagnant demand. Motivational aspects were recognized for employees in private, foreign and multinational companies which also contribute to the development of tourist demand. Influence of domestic tourist should not be neglected because Serbia has "low interest of foreign guests (from 2.8% to 4.5% in 2008!) While in Slovenia that goes over 54.6% in the same period." (Stojkovic et al, 2006 p. 297) Generally we can recognize the lack of possible communication lines between stakeholders and PPP forms which remain unknown.

4. DISCUSSION

It is necessary to define priorities. Results of comparison with Hungary show that more work is needed on a more complete development of health center offers, not only based on natural wealth. It is necessary to scientifically prove the healing properties of waters and other treatments and there has to be a correspondence of health and medical research with the development of health tourism with the support of further research. Parallel to that wellness services need to be developed, as well as hotel capacities. Good stakeholder analysis contributes to the development of effective marketing activities.

It is necessary to develop cooperation with international development agencies, which ensure funds for initial projects in tourism and similar businesses. Competition in the wider border region for investment in tourism is high, which demands additional efforts of creating attractive conditions for investors. That includes the preparation of master plans and efficient support for investors as well as clear investment offers. Every development project in Hungary was done parallel to the development of infrastructure. It is good to work on regional airports, highway construction, railway traffic, etc. The location preparation is important from a cultural and historical aspect (monuments, parks, music pavilions, etc.). For example, in Hungary at Spa-Lake Heviz, the park is among the leading content. Same thoughts apply to Serbia. "Presence of cultural, historical and sport potentials of a spa and its surroundings gives a whole integrated tourist product, where the quality of specific parts largely determines the quality of the total offer of that tourist destination" (Stojković, Pnajković Žikić 2006 , 297).

Complete management of a spa must unite all demands of a successful healing, or a medical aspect as well as a financial – marketing (business) aspect. Those are usually two very different areas. Because of that the success depends on team work and a talented leader. Management roles can be general or specific in certain areas. Careers are usually started with assistant managers and promoted to resource managers of certain areas (Cohen, Bodeker, 2009)

5. CONCLUSION

Foreign experience in achieving a national strategy of the development of health tourism should serve as a role model for the development of spa tourism in Vojvodina. For comparison we started with statistical data for the same period in Hungary and Serbia. It is useful to see the data for two tourist regions (Del Dunantul, and Del Alfold which borders with Vojvodina and lies on the same thermal waters as Vojvodina). It is obvious that using the same natural potentials Vojvodina lacks in the number of sleep-overs. 572491 in relation to something over one million in the tourist region DelAlfold (see picture 1).

Benchmarking several of stipulated problems of development projects (experience of spa capacities in Hungary) we can create a picture of possible stakeholders and possible method approaches for a more perfect analysis. Several of the preliminary findings are:

- Primarily, oversized ambition of increase in water surfaces (pools) need to be avoided, unequal to demand
- Too ambitious investment and development plans for complexes which are above capabilities (e.g. when a local interest capacity wants to become a national or an international interest without any proven potential for growth)
- Legal regulations need to exist as a basis for a healthy PPP
- International funds (management of projects) need to be monitored and used
- Communication with local community in a simple and comprehensive way, so that local hosts can be motivated for idea generation and acceptance. Projects of public relations (media campaigns, events, news, open days) for increasing local community awareness on the eco-tourism
- By targeting a wide circle of guests and offers potentials remain unused, and impossible to coordinate
- Instead of season offers, such as open pools, capacities should be developed which secure a more flexible interval of use, with additional services
- Multipurpose use of thermal waters (e.g. additional source of energy)

Social Network Analysis contributes to the development of human resources inside a branch, secures a systematic approach for valuing existing actors and their communication, as well as to simulation of possibilities of including new ones (from individuals to associations, networks, even on an international level). We recognized reasons for failed attempts in finding stakeholders and partnership building which can be interpreted more than this article allows. It is important to say that the success or failure of projects in much depends on the adequately defined and continuously renewed stakeholder circle. Many projects are not sustainable because they are not adequately promoted or insufficiently recognized in the circle of potential stakeholders. Those projects are not public enough and are promoted too narrow, or the very project does not include the interest elements of a wider circle of potential sides. Example for characteristic errors in stakeholder analysis is the investment plan in master plan Palic. Potential investors from Slovenia have come across the fact that the Lake Palic, in its present condition, is unattractive due to water pollution. There is a danger that similar aspects will make difficult or stop the finalization of projects in Spa Kanjiza. It is too ambitious to expect someone to invest and not to see the whole business environment. That can mean that the pools will contain clean water, but the nearby lake will be full of algae. Or in Spa Kanjiza the construction with unclear deadlines creates a picture of a constant construction yard not only for guests but also for those who want to do serious business in that tourist location.

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THE MODEL OF ORGANISATIONAL CAPABILITIES DEVELOPMENT

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Abstract: *The concept of organisational capabilities is relatively a new approach to face with uncertainties and environmental complexity and dynamism. The paper explains the generic model of organisational capabilities development with specific reference to a nature and types of organisational capabilities, the capability development process and capability inputs. The purpose of the paper is to extend understanding of organisational capabilities and their influences on performances of organisations.*

Keywords*: organisation, organisational capability, development, concept, model.*

1. INTRODUCTION

Organisations increasingly operate in a dynamic and complex environment. To stay competitive in such an environment organisations have to develop capabilities that enable them to deal with core challenges and problems.

Current organisations need to build and sustain capabilities to respond effectively, efficiently and timely to contemporary needs, to build capability in advance of need when emerging needs can be reasonably anticipated, and to establish flexibility to cope well with the unexpected. A failure in organisational capability can have a strong impact on organisational performance.

By developing different types of capabilities, organisations become more or less able to compete successfully in different environmental circumstances. Organisational capabilities can be classified according to different criteria.

Organisational capabilities are not static, but are dynamic realities and should be always in the state of development and improvement. They are influenced by many factors and capabilities development should be well structured and a systematically managed process.

2. THE CONCEPT OF ORGANISATIONAL CAPABILITY

The concept of organisational capability is relatively a new approach to deal with organisational problems. A basic assumption is that organisations have specific ways of acting which are based on organisational capabilities that have been gradually accumulated and shaped within organisations. Organisational capabilities enable organisations to deal effectively in an organisation-specific way with key organisational problems (Dosi, Nelson, Winter, 2002).

Authors have different but essentially similar views on a definition of the term “capability”. Helfat (2006) points out that an organisational capability refers to an organisational ability to perform a coordinated task, utilizing organisational resources, for achieving a particular result. Saint-Amant and Renard (as cited in Rauffet, Da Cunha, Bernard, 2010) define organisational capabilities as know how to act, potentials of action which results from the combination and the coordination of resources, knowledge and competencies of organisation through the value flow, to fulfil strategic objectives. Robert Grant (2010) defines an organisational capability as an organisational capacity to deploy resources for a desired result. Grant emphasizes that resources are not productive on their own and a team of resources must work together in order to perform organisational tasks.

Definitions indicate that an organisational capability means the organisation’s ability to carry out activities to meet its objectives. The quoted definitions do not take into account a way of carrying organisational activities out. It is important to emphasize that activities should be performed and objectives achieved under specified standards and conditions. Standards are quantitative or qualitative measures and criteria for specifying the levels of performance of an activity. Standards are the acceptable level at which activities must be performed to assure successful achievement of objectives. Conditions are those variables of an environment or situation that affect the performance of activities.

Capabilities are crucial for organisations. They establish key aptitudes that organisations have to build in order to perform activities and accomplish objectives. Organisational capabilities come up from the synergy of organisational resources and organisational knowledge. They require the efforts of various individuals to be integrated with one another and with crucial equipment, technology and other resources.

The need to sustain and develop the organisation's capabilities provides a basis for long-term plans and decisions about key organisational factors. In addition, organisational capabilities coordinate and constrain short-term planning and provide a logical basis for the physical structure of the organisation.

It is necessary to keep in mind that modern organisations work in an unstable and rapidly changing environment. Because of that, organisational capabilities have to evolve and change over time. The ability of organisational capabilities to adapt over time makes important influence on the success of organisations. If capabilities are inert, organisation will gradually lose ability to perform activities and accomplish objectives.

Schienstock (2009) points out that in the literature there are many other related concepts which are not clearly distinguished from the "capability concept" as, for example, "core competencies" or "organisational capacities". The great number of organisational capabilities or core competencies mentioned in the literature indicates that scholars have not been able to clearly enumerate many general problems organisations have to deal with and for which they have to develop appropriate capabilities.

3. TYPES OF ORGANISATIONAL CAPABILITIES

Organisational capabilities can be classified in accordance with different criteria. Authors identify various types of organisational capabilities depending on the selected criteria.

Schienstock (2009) distinguishes five dimensions of organisational capabilities: (1) selective or strategic capabilities which enable organisations to adapt to a rapidly changing environment; (2) organisational or integrative capabilities, which enable organisations to cope successfully with the problem of combining organisational efficiency with organisational flexibility; (3) technical or functional capabilities, which enable organisations to perform and extent their characteristic output; (4) capabilities and understanding of market and demand characteristics, which enable companies to profitably sell their products or services and to invade in new markets and (5) ability to learn, absorb, transform and reflect on acquired information and experiences, integrating and cutting through all these. Schienstock points out organisations are heterogeneous and focused on the development of different organisational capabilities.

Jon Kay (as cited in Armstrong, 2011) emphasizes that competitive advantage of the organisation is determined by its capabilities. He noted two kinds of capabilities - distinctive capabilities and reproducible capabilities. Distinctive capabilities are those characteristics of the organisation which cannot be replicated by others, or can only be imitated with huge difficulty. Distinctive capabilities describe what the organisation is specially or uniquely capable of doing and establish a basis for competitive advantage of the organisation. Distinctive capabilities can exist in such areas as technology, innovation, effective leadership, teamwork, specific knowledge etc. Reproducible capabilities are those that can be bought or created by other organisations with appropriate management skills and financial resources. That kind of capabilities cannot be a source of competitive advantage. In order to build and sustain organisational competitive advantage distinctive capabilities need to be supported by an appropriate set of complementary reproducible capabilities.

One of commonly used approaches to selecting of organisational capabilities is a functional analysis. A functional analysis identifies organisational capabilities in relation to each of the principal functional areas of the organisation. For instance, there are operations capabilities, logistics capabilities, research and development capabilities etc. The specific capability which can be recognized within the general research and development capability is innovative new product development. In addition, an example for the specific capability within logistics is equipment maintenance.

The process approach is another way of organisational capabilities classification. In accordance with that approach, all organisational capabilities can be grouped into primary capabilities, support capabilities and management capabilities. Primary capabilities are related to primary organisational processes. Primary processes are end-to-end cross-functional processes which span across the organisation and create direct value to organisation's end clients. Support capabilities enable performing of support processes within organisations. Support processes do not directly provide value to clients but they are directly responsible for providing all kind of support and resources which are necessary for execution of primary processes. Performance of management processes which guide primary and support organisational processes is directly linked with management capabilities.

Regardless of the approach that is applied, identified capabilities are likely to be broadly defined and should be disaggregated into more specific capabilities. For example, the human resource management capability can be disaggregated into the recruitment capability, the HR appraisal capability, the career development capability etc. Grant (2010) suggests establishing of a hierarchy of capabilities where more general, broadly defined capabilities are formed from the integration of more specialized capabilities.

The Australian Public Service (APS) is one of good practice examples in organisational capability management. APS points out needs to build and sustain organisational capability to respond effectively (and at pace) to contemporary needs, to build capability in advance of need when emerging needs can be reasonably anticipated, and to establish resilience to cope well with the unexpected. APS develops following capabilities: leadership, stakeholder engagement, citizen engagement, innovation, policy development, strategic planning, program delivery and implementation, project management, governance, risk management, change management, workforce planning and staff performance management.

4. THE MODEL OF ORGANISATIONAL CAPABILITIES DEVELOPMENT

Contemporary organisations are aware of capabilities development importance to overall organisational performances. Capabilities development is a high priority for many of them but they have not yet figured out how to do so effectively and efficiently. The generic model of organisational capabilities development is shown in Figure 1.

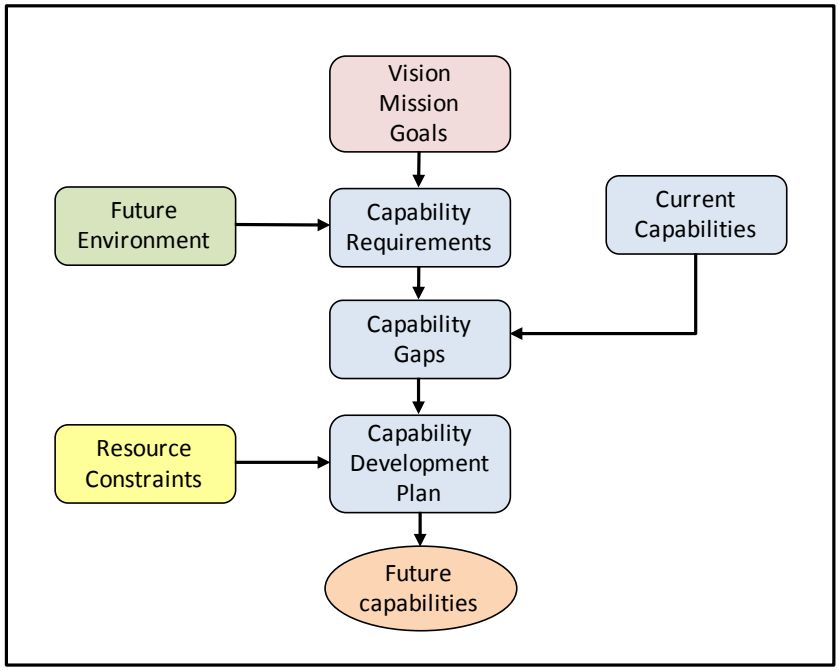

Figure 1: The generic model of organisational capabilities development

The basic step in the capability development process is an identification of capability requirements. That is probably the hardest part of the process and requires a combination of imagination and subject matter expertise. The purpose of this stage is to identify types and quantities of organisational capabilities required to accomplish given tasks and achieve defined goals and objectives.

Capability assessment is a stage that follows capability requirements determination. The purpose of the stage is to assess fulfilment of the previously identified capability requirements. Using the identified requirements and current organisational capabilities as primary inputs, capability assessment produce a list of capability gaps that require solutions and indicates the time frame in which those solutions are needed. It may also identify redundancies in capabilities that reflect inefficiencies. This stage of the process will also provide the relative priority of the gaps identified.

Development of possible approaches to solving (or mitigating) the capability gaps is the next step in the process. Planners develop options taking both materiel and non-material solutions into account. The development of realistic options is a crucial step in linking capability gaps to the scarce resources.

There is general agreement that organisational capabilities are result of the combined effect of multiple inputs. They cannot be built simply by purchasing new equipment or spending on R&D. Achieving necessary capabilities requires coordinated efforts in many areas and processes.

The main tool for organisational capabilities development is the capability development plan. This plan needs to be carefully developed to ensure that the organisation will have appropriate abilities and capacities to fulfil own mission and perform tasks. Some organisations formulate so called the capability strategy that defines what the organisation needs to do to develop and maintain its capabilities.

The implementation of the capability development plan follows its official approval by organisation's management. This is a very complex process which must be well prepared and led. Relevant bodies within organisation prepare the necessary partial plans and programs which would specify the capability development plan and support its implementation.

5. CAPABILITY INPUTS

Organisational capabilities are a result of the combined influence of multiple inputs. It is not the sum of those influences, but the synergy that arises from the way those inputs are combined and applied.

Defence institutions are the example of organisations which pay special attention to capability development. They identify different but similar the capability inputs. For instance, in the Australian Defence the fundamental inputs to capability are categorized and broadly defined as: personnel, organisation, collective training, major systems, supplies, facilities, support and command and management (Australian Department of Defence, 2012). Within the Canadian Defence a capability is a function of personnel, materiel facilities and procedures. In the United Kingdom, the military recognizes eight so called Lines of Development as a means of capability development: training, equipment, personnel, information, concepts and doctrine, organisation, infrastructure and logistics.

The Australian Public Service considers leadership, strategy and delivery as the most crucial areas of capability and key enablers of successful performance. The APS capability model (Figure 2) comprises 10 elements, grouped under the key enablers. The model provides a framework and common language for discussing and assessing organisational capability.

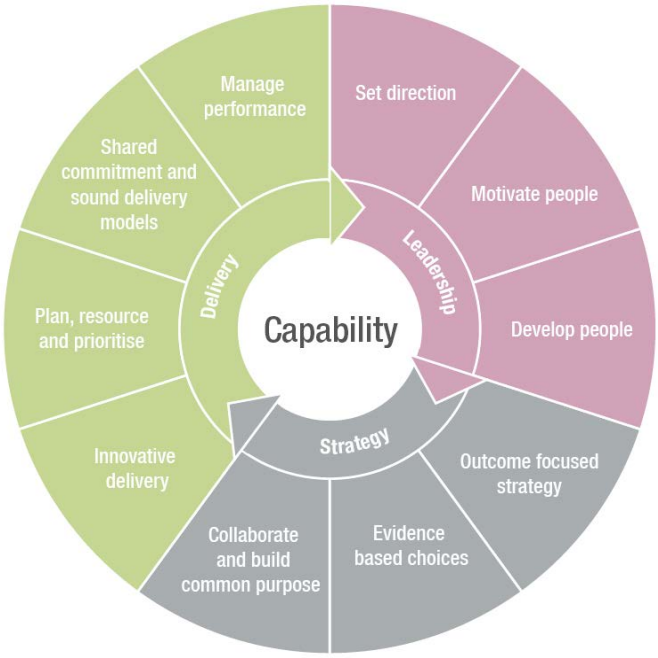

Figure 2: APS model of capability (Australian Public Service Commission, 2011).

Leonard-Barton (as cited in Gusberti, Viegas, Echeveste, 2013) describes the main components of the organisational capabilities by the four dimensions: knowledge and skills, technical systems, managerial systems, and values and norms. Capability Based Planning from the Systems Engineering identifies following capability inputs: people, process products, technology, and facilities.

As it can be seen from the discussed examples, scholars and practitioners have different views on capability inputs. However, most of them agree that organisational resources (human, material etc.) are fundamental

source of capabilities. Resources must be properly integrated and coordinated in order to produce capabilities. Organisational strategy, structure and management systems play a crucial role in resource integration and coordination.

Gusberti et al. state that resources are divided in technical systems and intangible resources or knowledge-that. Knowledge-that is expressed by knowledge contained in people and processes and can be acquired by training or education. The technical systems are essentially resources that were deployed by the capabilities in results and include products, technologies, facilities and materials. It can be divided in: (i) material resources; (ii) infrastructure, facilities, equipments, and information technology.

6. CONCLUSION

The traditional approach to organisational proceedings is based on establishing fixed structural arrangements which perform different tasks in order to achieve desired results. However, the complex and dynamic environment is characterised by rapid substantial and discontinuous change under which, to survive, organisations must be flexible and prepared for unexpected requirements and problems.

Such a situation requires a new organisational approach. Organisations need to focus on the creation and continuous development of specific capabilities that enable them to cope with uncertainties and new requirements in a much more flexible way.

Modern organizations should possess appropriate types of capabilities which enable efficient and flexible performance of tasks and activities in order to achieve desired results. The most important are capabilities which enable an organisation to perform key organisational processes and provide necessary outputs to clients. Also, organisations must develop an appropriate spectrum of management and support capabilities.

Development of organisational capabilities must be a result of a well arranged and managed process. The process of capability development consists of many activities which require an appropriate coordination and execution.

Organisational capabilities are a result of the synergy of multiple inputs but basic organisational resources are fundamental source of capabilities. Resources must be properly integrated and coordinated in order to produce capabilities. Organisational strategy, structure and management systems play a crucial role in integration and coordination of resources.

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NEW PUBLIC MANAGEMENT

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Abstract: In the last three decades, public administration was struck by a wave of unprecedented reforms.The traditional model has come under the strike of strong criticism by citizens and the private sector, as well as theorists of governance. Basically, the reform lies upon the conclusion that the state has become too large and with too many responsibilities, and that the market offers superior mechanisms for more efficient delivery of public goods-and services. Therefore, political leaders found themselves under pressure from the public and the industry to increase the efficiency of government, reduce government spending and taxes, while maintaining a high level of public social services(Various*authors,*2002/03).

Programs of public administration reform which have made a strong impact on the international administrative policies are rooted in Westminster systems (Australia, New Zealand, UK and Canada) and the United States, countrieswhich are rightly considered the main representatives of the "New public management". A wave of administrative reforms actually started in the United Kingdom when in this country, a radical change was made in the program and methods of government activity and its administration so as to reduce the role of the government in economiclife, which led to a substantial consideration of the practice and concept of the existing system of public administration.

Keywords: *public management, public sector, reinventing of government, entrepreneurial country.*

1. FROM TRADITIONAL ADMINISTRATION TOWARDS A NEW PUBLIC MANAGEMENT

The reforms quickly spread in other countries, with the support and guidance of Bretton wood institutions that propagated the new public management, in order to reduce the role of the state in the production of goods and provision of servicesit.The non-existence of a state government that achieves satisfactory results was-considered a barrier to participation in the global economy, so the administrative reforms should provide a new system for the state, which would allow it to be properly globalized. The starting point was the premise that a strong, democratic state and globalization go together(Group of authors, 2002/03).Reforms included in this approach were aimed at reducing the number of administrative bodies and employees in the public administration, the elimination of the role of the state as a producer of goods and provider of services,-promotion of privatization, deregulation and decentralization, and fundamental changes in the nature of business of the government. A policy that was initially put the emphasis on maintaining macro-economic stability, stopping inflation, reducing budgetdeficits andpublic spending turned into a campaign for "reducing" and diminishingthe state organization, and thus its impact on the economy and society. The huge costs of social programs in Western Europe questioned the significance and sustainability of the welfare state that had been promoted and that had to be redesigned.

The need to improve efficiency in the public sector and to reduce public expenditure was accompanied by a package of measures which had the character of the introduction of market mechanisms in the public sector. Although success varies from country to country, these principles, however, can be regarded as the world trend. This trend was probably influenced by the value system whose construction was significantly impacted by multilateralorganizations, the media and civil society (Various authors, 2002/03).

Improvement of human resources in the public sector and the strengthening of institutionalcapacities of administration are not given equal attention as the liberalization of the economy.-Experience also points out the limitations of such a strategy. It has become obvious that macroeconomic programs are not sufficient to solve the fundamental problems of public administration. Moreover, the net effect of the adjustment policies was the neglect and weakening of strategic institutions, primarily of personnel systems in public administration, particularly in countries where the process of "state-building" is not over yet. The applicability of different models of the state raised the question whether the newglobal paradigm of public management is

being developed: New Public Management and the so-called "reinventing" government are the exact tools used in the process of improving public sector efficiency and reduction of costs " (Various authors, 2002/03).

2. NEW ADMINISTRATIVE PUBLIC SECTOR ENVIRONMENT

A.A hundred years ago the word 'bureaucracy' had a positive connotation: it signified the rational and advanced doctrine, i.e. the type of organization that was supposed to replace the arbitrary power of autocraticregimes. Bureaucracy introduced the same logic in state government, as the continuous production line introduced in factories. Hierarchical management and functional specialization, made it possible to effectively undertake such complex tasks. The bureaucratic model has functioned for a long time because it disabled basic problems that people then wanted to be resolved. It provided security from unemployment, which was characteristic of the previous period, stability, trust in the fairness and impartiality of the administration, standardized services that are suitable for all, which people needed and which they expected from the industrial era(Various authors, 2002/03).

Today, it does not exist anymore. We live in a time of globalmarket which represents an enormous competitive pressure on economic institutions.We live in an information society in which citizens obtain information almost as quickly as their politicians. We live in a knowledge-based economy in which educated workers do not put up with being commanded and demand autonomy in their work. Today, consumers are educated and aware of the quality standards of products and services and choices they have. In such an environment, bureaucratic organizations developed during the industrial era, both public and private, are letting us down. Today, organizations are turning to the specific needs of theconsumer, offering a wide variety of non-standardized services. They guide consultationsand incentives, which gives employees a sense of control, and even of "ownership". They develop an approach that would rather "empower" citizens, than to simply "serve" them, by giving them rightsand the ability to participate in the process, not just passively use services.

B."Empowerment" of citizens is a central motif in the managerial-doctrine. The hypothesis is that citizens are "damaged" by bureaucratic rules that limit choices and access to quality services. Moreover, it is assumed that the privatization, "the foreign supply" of public services and de-bureaucratization lead not only to greater satisfaction of citizens/consumers, but also to greater freedom and fullerdemocracy. In other words, "managerism"in terms of more efficient, entrepreneurial and results-oriented public sector management, opposes to administration bounded by rules.

Today, most state institutions still perform very complex tasks in a competitive environment that is rapidly changing, with consumers who demand quality and choice. In their iconic book "Reinventing government", David Osborne and Ted Gaebler stress out the following(Group of authors, 2002/03):"In a sense, this is a symptom of progress - a devastating crash that occurs when a new reality is faced with old institutions. Our information technology and our knowledge economy give us a chance to do things we never dreamed of fifty years ago. However, to take advantage of this opportunity, we need to clear out the ruins of our institutions from the industrial era and to build new ones."(Ristic, Z. 2012)

C.The origins of an activist, bureaucratic state, are practically the phenomenon of the twentieth century. The characteristics of the bureaucratic state were clearly, under the strong influence of Woodrow Wilson, defined by Max Weber in year 1920:

- there is a clear separation between politics and administration, and thus the clear role of political leaders (mostly of elected ones) and government officials (usually named)
- administration is to be permanent and predictable, and should function on the basis of written, unambiguous rules
- civil servants are employed on the basis of qualifications and are trained professionals
- the organization reflects the functional distribution of the workload and the hierarchical arrangement of tasks and personnel
- the funds belong to the organization, not individuals who work in the organization
- the main motivation is a sense of duty or of public interest, that transcends personal or organizational interests.

The perfecting of the traditional model of public administration came by applying the ideas of "scientificmanagement" based on the private sector, that have introduced effective operational methods based on the standardization of tasks, the principle of "one best way" to adjust the staff to the assignments and systematiccontrol of tasks, processes and people. These principles have easily adapted to the bureaucratic structure. Supplement to the traditional model was the application of knowledge in social

psychology, through the approach based on "interpersonal relations-".It is often compared with the approach of scientific management, but in practice, it scored higher efficiency in performing tasks, while paying attention to the need for motivation of workers rather than controlling and directing them (Ristic, Z..2012).

As an argument in favor of an activist state model there was the fact that state intervention was necessary for correcting the shortcomings and failures of the market. Level of control and state intervention varied considerably in practice: to the complete state ownership and market allocation. The decisive role was played by strong state bureaucracy. This activist model has been criticized by the traditional model of state bureaucracy and the government's inability to do its job properly(Group of authors, 2002/03).

D.While the welfare state justified itself by the need to remove the lacksof the market, the predominance of the above stated characteristics has led to a critical situation that requires the rectification of failures in the administration of the state (Group of authors, 2002/03).

- The Irresponsible state, whose abundant interventions limited the freedom of people to deal with their own affairs, developed a dependency instead of independence;
- Excessive state, where government has taken on too many powers, could not accomplish them efficiently and effectively;
- State of private interests, where the elite and the privileged groups exploited the opportunities that were offered by government jobs to meet their interests and maximize revenues.

The combination of criticism (inefficient bureaucracy and defective nature of activist government) produced a model of reform called "new public management". This model of reform is based on the assumption that large state administrations are inherently defective and useless, and that the market is better equipped than the state to provide most goods and services. Radical changes needed for bringing a transformed and entrepreneurial model of public management are implemented by the following(Group of authors, 2002/03):

1 Restructuring and reduction of the public sector, particularly by privatization,
2 Reorganization and "thinning" of the central public services,
3 The introduction of competition in the remaining public services, by use of internal markets, and contracting the provision of public services with the private sector, and
4 Improving the efficiency by realizing the concept of "value for money" by management based on the results achieved and audit of performance.

The new type of public management is characterized by:

1 The separation of the strategic policy from operational management,
2 Concern for the results, not the process and procedures,
3 Orientation towards the needs of citizens, and not the interests of the organization or bureaucrats,
4 Withdrawal from the area of direct service provision in favor of the role of "steering" or "empowerment", and
5 Altered, entrepreneurial management culture.

2.1. Birth of entrepreneurial state

A common thread for the solution of problems of governance was not hard to find: it was necessary to "re-invent" the mode of government activities in all segments and integrate the elements of a new organizational culture, primarily of entrepreneurial mentality. Most entrepreneurial governments encourage competition among providers of services (Various authors, 2002/03).

- They "empower" citizens by transferring control from the hands of the bureaucracy into the hands of society,
- They assess the success of the work of their organizations by focusing is on the results achieved, rather than on resources used,
- They are guided by the results and their mission, not by rules and regulations,
- They define their clients as "customers" and offer them a choice, for example, between different schools and educational programs,
- They prevent problems rather than react when they occur,
- They decentralize jurisdiction by developing participation,
- They prefer market mechanisms to bureaucratic ones
- They do not focus on self-provision of public services, but on catalyzation of all sectors - public, private and voluntary - into action, in order to solve the problems of the community.

A.The government and the company are completely different institutions. Business leaders are guided by profit: the leaders of the government are guided by the desire to be re-elected.

Companies receive most of their funds from their customers/consumers, while the statecollects most of the funds from taxpayers. Business is usually conducted in a competitive environment, while the states use monopolies, Osborne and Gaebler explain, and suggest that differences such as these create a completely different aspirations in the publicsector: "For example, the key question for managers in public institutions is not whether they deliver a product or generate profit but whether it satisfiesneeds, whether they are to the liking of elected politicians. Having in mind that stakeholders are behind politicians, managers in the public sector - unlike theircounterparts in the private sector - must always include the factor of stakeholders into their activities. "

All of these factors are combined to create an environment in which public sector employees see the risks and rewards completely different from employees in the privatesector. ‘’The government aspirations are focused on how not to make mistakes," said Lu Vinik from the Ford Foundation, "State budgets are encouraging managers-to waste money. If they do not spend their entire budget by the end of the fiscal year, three things happen: they lose money they were saving, they get less next year, and budget directors complain that they demanded more than they should in the previous year."

B. Models of the new government may be (Group of authors, 2002/03):

- Model 1 - "Market Government" - focuses on decentralization, salary based on performance and other operational techniques of the private sector.
- Model 2 - "Participatory Government" - emphasizes "thinner" organizational structure, total quality management, and teams.
- Model 3 - "Flexible government" - promotes virtual organization and temporary staff.
- Model 4 - "Deregulated government" - puts the emphasis on greater managerial freedom.

Each model is a product of various criticisms of the inadequacy of government, each offering different solutions.

C."For most of the leaders, there are only two ways out of the crisis in the public sector: either to raise taxes or cut costs. For almost three decades we are seeking the third option. We do not want a lower level of education, fewer roads, a lower level of care, but at the same time - higher taxes. We want better education, better roads, better health care, for the same or a lower amount of tax liability.
To be more precise, we need better governance/state management (Good Governance) - the process by which we collectively solve problems and meet the needs of our society, and this is why this forms a coherent whole, the new model of government(Ristic, K. and Ristic, Z..2014).

3.New Public Management

A.New Public Management is a worldwide phenomenon, but in different countries this term is understood differently in different situations. In the United States, this approach is characterized by the movement for "reinventing government" and the project designed bythe Vice-President Al Gore -"National Performance Review".The UK has started the Financial Management Initiative of Prime Minister Margaret Thatcher and continued with what is called Next Step.New Zealand has made the most drastic changes in the structure of government and managerial philosophy(Ristic, K. and Ristic, Z..2014).

It should be borne in mind that the search for new public management requires consideration of the role of the state. It is a fact that the state today is more an economic than a political agent. The crisis of legitimacy affects the political class and the administrative structures which are still based on the rule of law. Another fact is that identity and political history of every European country must be fully understood. Where there are management models, their implementation depends on their adaptation in a way that significantly varies-from country to country.The practice of the new public management is therefore proved to be very applicable in the Nordic countries, whose structures are characterized by a high level of decentralization, "guild" organizations and a rooted culture of social pluralism. Outside the Nordic countries, the implementation of new publicmanagementdestroys not only the administrative structures, but also the representative bodies of civil servants and service users.Reforms largely depend on the "clientelism"in Greece, the role of civil service unions in France, the politicization of jobs in the civil service in Austria, the role of political parties in Italy. New Public Management which promotes efficiency and flexibility, it is often in conflict with the massiveness and the inertia of legal norms.

B.New Public Management (NPM) - is a term used in many countries around the world. Seemingly, it describesa globaltrend of a certain type of administrative reform, but it soon becomes clear that in the

variousadministrative environments, it has different meanings. Even in the academic world, there is no consensus on what the term means. In any case, the term is somewhat faulty because its elements are not new, which is why there are charges that it is "new wine in old bottles." In addition, the reform of public management occurs in a wide variety of forms, in different-contexts, including the very different national priorities and needs. The transformation process in Central and Eastern Europe is just one of the examples(Ristic, K. and Ristic, Z..2014).

With the advent of managerism, the term "public administration" is rapidly replaced by the more popular "Public Management" even in many academic programs (e.g., human resource management). Essentially, the difference between these two terms is not so much in theirdefinitionas in the doctrine behind each of them. Although inthe Serbian language "management" easily translates as "administration", the nationalliteratureequally and interchangeably uses the term management. The translation of theterm "manager" - "administrator" does not fully comply with the spirit and practice of Serbian language,so the term 'director' is often used (which is in English, "leader")(Ristic, K. and Ristic, Z..2014).
The translation of the terms "New Public Management" and "Good Governance" can be a matter of discussion, as well as the translation of the term "public policy": we use the terms 'novi javni menadžment' and 'dobra vlada/vladavina. But what is the new public management? It is fair to say that it helped in highlighting the need to change the way the governments operate.

C.Two types of main concept of new public management emerged. According to the narrower concept, new public management is a marriage of two different streams of ideas. One stems from the new, institutional economics which examines new administrative principles such as competition, a wider choice for users of public services, transparencyanda strong emphasis on new mechanisms for motivating employees. The second stream stems from the application of the principles of private business management to the public sector. Practically, this narrow understanding of the new public management places the emphasis on contract management, the introduction of market mechanisms in the public sector and linking salary with performance.The main features of the reform of public management, for achieving the targeted result-oriented management are:transferring powers and providing flexibility, ensuring the results, control and accountability, the development of competition and choice, responsible provision of services to citizens, improving human resource management, use of information technology, improving the quality of regulation and strengthening the function of "steering" in the center.

A broader definition of the new public management has a more pragmatic approach, not looking at it from a philosophical perspective, but as a rational response to the pressures that the governments are facing. Since the pressures of globalization are similar in all countries, it would be expected that the reactions overlap to some extent. However, this does not mean that the implementation of the new public management in those countries will be identical. Such a broad definition does not impose a universal model, but makes the model of the new public management more transmittable from one country to another. This can involve a detailed radical reform of public management or individualadjustment depending on the institutional framework of those countries.

The term New Public Management is used to describe a management culture that emphasizes the central role of the citizen and user of services and accountability for results, suggesting structural or organizational choices that emphasize decentralized control across a wide spectrum of alternative mechanisms for the provision of public services, including quasi-markets in which the public and private suppliers compete for funds provided by investors and those in charge of public policy. New Public Management does not claim that the government or the management -should to stop doing certain jobs; it does not care whether the work is done or not, it is interested in getting the job done in the best possible way. The new public management was conceived as a means of improving the efficiency and accountability of political leaders, and it originates from parliamentary democracies with a strong executive leadership, centralized government and administrative law.

New Public Management can be seen as a "cascade chain of contractual relations", which leads to one manager (often aministry) interested in better results in areas where there are significant and relatively stable jurisdiction. Most of the principles of new public management-can be illustrated by the example of establishing semi-autonomous agencies for the provision of public services. The argument in favor of the existence of the agency is that those who should provide those services should be concentrating on their efficiency and quality, without disturbing the structures for the development of public policy(Ristic, K. and Ristic, Z..2013).

D.OECD study reveals that all member states are experimenting with some of the elements of the new public management, although the degree of implementation of these elements and the differences between them vary from state to state. Nonetheless, it soon becomes clear that the actual implementation raises different

difficult issues about the goals and outcomes. This is partly due to the strong orientation of new public management towards the economic value and its underdeveloped legal and political dimensions. Given the complexity and the fact that many reforms are still under way, virtually every state will have to make a careful assessment ofaspects which in any combination offer real progress in the light of its institutional and political context(Ristic, K. and Ristic, Z. .2014).
Public management must not only be a promotion of economic values. Before us is a task to put a stronger emphasis on products and outcomes in accordance with the political and legal principles of public administration. The emphasis placed-on these various principles and their connections will vary from country to country depending on their traditions and political and legal framework. This new paradigmcannot be reduced to a slogan, claimsBornis, and states that key ideas can be extracted(Ristic, K. and Ristic, Z..2014):

- The government should provide high quality service that will meet citizens' needs
- The autonomy of public managers, especially from the central state organs, must be increased,
- Organizations and individuals should be evaluated and rewarded based on how successfully they reach the required goals,
- Managers must ensure that they have at their disposal adequate human and technological resources needed to achieve the objectives
- Public sector managers must appreciate the value of competition and maintain open access to what in terms of services belongs to the private rather than to the public sector.

Two variants of the new public management - contract theory and the theory of empowerment - are intended to give the public managers the flexibility they need in order to improve results(Ristic, K. et al.(2013/2014).Those who adopt the theory of "empowerment" implicitly allow them to develop the skills of intelligent decision-making, to reasonably use the given flexibility and to be motivated primarily by intrinsic motives of working in public administration.It is necessary to support the vision of the public sector as an "organization in the process of learning" /0} which should constantly be progressing. Those who adopt the strategy of contracting, normally do this through precise, clearly written agreements on the results that leave little room for the kind of confidence present in the previous strategy, which motivates better results by special awards. There are no universal solutions to the public sector as a whole - different parts of the public administration require different systems of public management, depending, for example, on whether it comes to redistribution of resources, provision of services or the classic state activities. Some states, such as New Zealand and the United Kingdom, use contracts and incentives to "force managers to do their job." Others, such as Australia and Sweden, for example, "empower" their managers and thus "allow managers to do their job"(Ristic, K. and Ristic, Z..2013).

SUMMARY

New public management and "reinventing government" have significantly enriched the language of management with a number of new terms and graphic expressions.

- results, not the processes
- Downsizing, and now the rightsizing
- Lean and mean
- Contracting out, off-loading, outsourcing
- "Steering" rather than "rowing"
- "Empowerment" rather than serving
- Earning rather than spending

New Public Management is designed to continue to somewhat influence the development of the administration. The question is whether this impact can go beyond the field of methods and techniques into the field of value systems. It has to play a role in the ongoing efforts to implement "good government (governance)," primarily in the-developing countries. Therefore, it is important to understand the context, powers and limitationsof the new public management so the best could be taken from it.
The improvement of government performance is a complex undertaking. This means that differences have to be taken into consideration between people in different regions, at different times or for different issues of public policy. Every government, when it comes to improving the results, tries to make steps forward. Whenever government decides make a specific step, it needs a special strategy that will maximize its performance in this specific context.

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NEW COSTING MODEL IN MINING INDUSTRY

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Abstract:*The research introduces a kind of new costing model of handling of costs in developing and exploration i.e. full lifecycle of coal mining site. The new costing model in mining will use all good facts from previous approaches implemented in coal industry.Analytic and holistic approach is the tool used in this model in order to establish the new way of handling of business in mining companies. In order to create new costing model in mining industry, the comparative method is used for analysis of software solutions and description method in order to establish link between relations and rules in old mining models. Additionally, elaboration method is used in analysing of the costing model in RiTeUgljevik. An impact of EPR implementation on new costing model in mining is essential, because many processes in production of coal should be automatized in order to allow the cost tracking on analytic level (cube view). In this paper areexplained benefits from implementation of an adequate ERP system in mining industry.The benefits of creating the right costing model for mining company are substantial, not only in terms of cost reduction, but also in the ability to better focus resources, enhance value for extension of profit margin and newinvestments.*

Keywords*: Handling of cost, new costing model in mining, RiTEUgljevik, production of coal, ERP*

1. INTRODUCTION

The mining companies have significant costs in order to establish their business. One of the first types of cost is associated with the complex process of expropriation.

Developing of coal site lasts several years and include two main phase: Set up of coal site and Expropriation. Each phase require generating of significant costs. Mining companies carry out the various stages of development necessary prior to production over a long period of time, at high cost and in some cases with a high level of risk and uncertainty as to future commercial benefits. Adopting an appropriate accounting treatment for the costs incurred at each stage is therefore essential. Unfortunately, there is little specific guidance as to the extent to which costs associated with finding, acquiring and developing mineral reserves should be expensed immediately or deferred.

The special attention is paid on methods of handling of “externalities”, during production of coal, in the ways of multiple hazards for health and the environment. Accounting for the damages conservatively doubles to triples the price of electricity from coal per kWh generated, making wind, solar, and other forms of non-fossil fuel power generation, along with investments in efficiency and electricity conservation methods, economically competitive.

Generally, an expropriation from a landowner by the government typically involves the taking of privately-held land for a public purpose, such as the building of roads or improvements to existing roads, acquiring land for municipal expansion, acquiring land or an interest in land for the construction of public buildings, and so forth.

Where the minerals are beneath privately-owned land, the landowner has the right to be compensated for the interference with their land, and to take disputes with respect to compensation for their land to the provincially-appointed authority to determine compensation.

Also, there are many nus-effects for society from the expropriation phase. Typical sample of nus-effect have happened in New Scotia in Cannada in 2012.So, the Higgings family in Nova Scotia has lost their fight to prevent the expropriation of their land to a gold mining company.

The family runs a Christmas tree farm in Moose River Gold Mines. The provincial governmentexpropriated a section of their property. Australia’s DDV Gold Ltd. plans to start a $140 million open-pit gold mine and wanted the land.

On Friday, the Nova Scotia Court of Appeal unanimously dismissed an appeal by the family. That appeal backed an earlier Supreme Court judge who cleared the expropriation, which was ordered by Darrell Dexter's government in 2012(retrieved from: www.breakingthesilenceblog.com/general/family-loses-expropriation-case-against-gold-mine; 2013).

Apart from expropriation costs, the company must to count on many other costs for state authorities. One of these types of costs is concession. Normally, each country prescribes managing of access to coal via the mining concessions, to areas free for mining natural resources that do not belong to surface property and deposit`s owner.

In the case of mining laws, administrative procedures such as issuing of mining concession, approving operating plan and issuing permits or licenses to explore according to the water rights, the country authorities establish Mining authority. "In Germany, the classic procedure of mining license is the operation plan procedure, whereby the operator submits an operating plan to the Mining authority, which then examines it in order to ensure fulfilling of legal objectives (Schmidt, 2013)".

One review published in New York Academy of Sciences (AS, 2011) found out that the best estimate for the total economically quantifiable costs, based on a conservative weighting of many of the study findings, amount to some $345.3 billion, adding close to 17.8¢/kWh of electricity generated from coal. The low estimate is $175 billion, or over 9¢/kWh, while the true monetizable costs could be as much as the upper bounds of $523.3 billion, adding close to 26.89¢/kWh. These and the more difficult to quantify externalities are borne by the general public.

The third type of investment cost can be defined as activities performed in displacement of coal overburden layer. Measurement of overburden costs is very difficult. Generally, the cost depends of machines used to displace of this overburden layer. In practice, the machines in mining are segregated in two dimensions: Discontinuer and Continuer. Discontinuer is the name for machine which storage their production of coal on some medium (truck, train etc…) for transportation to Thermal Plant. Adversely, the coals are transported to Thermal production plant automatically by using of Continuer`s machines. RiTeUgljevik implemented only dis-continual way of transportation coal in further consumption of coal for production of electricity.

2. USE OF COAL

Coal is currently the predominant fuel for electricity generation worldwide. In 2005, coal use generated 7,334 TWh (1 terawatt hour = 1 trillion watt hours, ameasure of power) of electricity, which was then 40% of all electricity worldwide. In 2005, coal derived electricity was responsible for 7.856 Gt of CO_2 emissions or 30% of all worldwide carbondioxide (CO_2) emissions, and 72% of CO_2emissions from power generation - one gigaton = onebillion tons; onemetric ton=2,204 pounds (International Energy Agency, 2007). Non–power generation uses of coal, including industry(e.g., steel, glass-blowing), transport, residential services,and agriculture, were responsible for another 3.124 Gt of CO_2, bringing coal's total burden ofCO_2 emissions to 41% of worldwide CO_2emissions in 2005.

By 2030, electricity demand worldwide is projected to double (from a 2005 baseline) to 35,384 TWh, an annual increase of 2.7%, with the quantityof electricity generated from coal growing 3.1% perannum to 15,796 TWh(International Energy Agency, 2007). In this same time period,worldwide CO_2emissions are projected to grow 1.8% per year, to 41.905 Gt, with emissions fromthe coal-power electricity sector projected to grow 2.3% per year to 13.884 Gt(International Energy Agency, 2007)**.**In the United States, coal has produced approximatelyhalf of the nation's electricity since 1995,2and demand for electricity in the United States isprojected to grow 1.3% per year from 2005 to 2030,to 5,947 TWh.1 In this same time period, coalderivedelectricity is projected to grow1.5%per yearto 3,148TWh (International Energy Agency, 2007). Other agencies show similar projections;the U.S. Energy Information Administration (EIA)projects that U.S. demand for coal power will grow from 1,934 TWh in 2006 to 2,334 TWh in 2030, or 0.8% growth per year (Energy Information Administration. 2009).

To address the impact of coal on the global climate, carbon capture and storage (CCS) has beenproposed. The costs of plant construction and the "energy penalty" fromCCS, whereby 25–40% more coal would be needed to produce the same amount of energy,would increase the amount of

coal mined, transported, processed, and combusted, as well as the waste generated, to produce the same amount ofelectricity (House, Harvey, Aziz&Schrag, 2009). Construction costs, compression, liquefactionand injection technology, new infrastructure,and the energy penalty would nearly doublethe costs of electricity generation from coal plantsusing current combustion technology.

In order to perform and fulfilled the correctness, the mining company must to perform the demand analysis. This analysis was made for the development of coal mine safety monitoring system. It contains to build up the layout model of the standard coal mine underground production environment and set all kinds of underground transducers especially methane transducer. On this basis, the general design scheme of coal mine safety monitoring system was determined.

3. CAPEX AND OPEX COST IN „RITE UGLJEVIK“

Normally, the cost established in mining company can be divided on investment part, called Capex, and operational part called Opex. Capex cost are related to established and capital investment costs in mining operations, while Opex cost are related to daily production of coal.

Capex&Opex cost can be presented in terms of operation on the biggest mining company in Republic of Srpska “RiTeUgljevik”.

Capital mining investments, such as the project of opening mining site „Ugljevik - East“, are very complex due to the influence of various internal and external techno-economic as well as natural factors and constraints arising from social and economic environment. By investing in the opening of the mining site „Ugljevik - East“, the company „RudnikiTermoelektranaUgljevik“ (Mine and Thermal Power Plant „Ugljevik“) in the Republic of Srpska (Bosnia and Herzegovina), implemented previously defined goals of growth, developed policy and strategy of the company. This investment project required extensive financial assets, significant amount of other resources as well as time.

In order to assess the technical and technological, financial, market and social feasibility of the project, a Feasibility Study was made by the Center for surface mining, Belgrade, in 2013. This study contained a complex analysis of coal at the BogutovoSelo and Ugljevik East coal deposits, including all the components of sustainable mining, i.e., all the environmental and social impacts in addition to the economic impact. Production and technical data, designed in the technical part of the Study were used to design an economic model to determine the economic parameters of the project. Financial analysis is primarily based on planned production capacities of the mine, the investment and operating costs and the estimated selling price of coal. The amounts are given in BAM (KM), with the exchange rate of 1 EUR = 1,955 KM.

For the calculation of income, the price of coal of 44 BAM/t was used for the Thermal Power Plant (TPP) while the forecasted price of coal for general consumption was 65 BAM/t. The Price of 44 BAM per ton of coal for Thermal Power Plant is equivalent to the coal price of about 4.4 BAM/GJ, which is the average market price in Bosnia and Herzegovina and in the Republic of Srpska. The price of 65 BAM per ton of coal for household consumption is the price at which TPP Ugljevik is currently selling the coal.

According to the above study, there are not years with the negative financial result during the project implementation. Since this is an investment project which basically continues the current production with similar volume and similar costs, there are no negative financial results in the years of intensive investment. Instead, there is a significant decrease in net income in the period of repayment of interest on loan taken.

Based on the results of the Study (Center for surface mining, 2013), it can be concluded that the project is fully solvent, which can be seen from the cumulative inflow (2,267,361,382) and outflow (1,543,271,267). In addition to the observed dynamic indicators, the following static indicators were monitored as well:

- Profitability = Net Income / Total Investment = 9%
- Cost - effectiveness = Net Income / Total Income = 21%
- Reproducibility = (Net Income + Depreciation) / Total Investment = 13%

The average profit rate of the investment project is 28%.

The net present value of the project amounts to 160,369,022 BAM at a discount rate of 8%, while the internal rate of return (IRR) is 34.63% and return on the project investment is 10 years.The project is most vulnerable to changes in selling price, then to the production volume, and much less to the variation in the standardized materials, energy and investment cost.

By analyzing the turning point, a limit of the production level of 931,201 tons is defined, which is well below the planned average production level within the project lifecycle of 1,733,138 tons. The minimum price per unit of 30.63 BAM is also significantly lower than the forecasted average selling price of 44.60 BAM.

Dynamic sensitivity analysis indicates that in relation to selected key variables, the project is most vulnerable to changes in price and volume of production. Since there is a large difference between the planned and the minimum acceptable price, not even the largest analyzed deviations of 20% in comparison to the planned price,represent a hazard to the project.

From the point of impact onto the environment, the project is assessed as socially acceptable, while the sensitivity and risk analysis indicates that the project investments do not fall under the category of risky investments.

Opex costs are related to functioning of mining operation.It is very important to made distinction between Opex and Capex costs in mining industries.

Under the historical cost model, mineral reserves that result from a company's exploration activities do not appear as an asset. Information on mineral reserves is, however, vital to investors and analysts in predicting future cash flows and evaluating the prospects for a mining company. Thus, supplementary disclosure about mineral reserves outside the financial statements is important for a more complete appreciation of the value of the company.

Because quantities of minerals beneath the earth's surface cannot be known with absolute precision, reserves are usually categorized as "proven" or "probable," depending on the degree of confidence about the accuracy of the disclosed quantity. All of the companies we reviewed that disclose information on reserves provided quantities of proven and probable reserves, in some cases separately and in other cases combined. Many companies disclose in their annual reports information on mineral resources as well as reserves. Mineral resources are quantities of minerals for which there are reasonable prospects of eventual economic extraction. These are classified as "measured," indicated" or "inferred," depending on the degree of confidence. Only those parts of a company's mineral resources that have been determined to be economically extractable can be classified as reserves.

This distinction is important from an accounting perspective since only proven and probable reserves are used in calculating amortization on a unit-of-production basis and in measuring impairments. Most of the companies we reviewed state this explicitly in their financial statements, and those that do not are believed to follow this practice. Generally speaking, only proven and probable reserves are taken into account in determining fair values for acquisition accounting.

The resources used in mining production for RiTeUgljevik are fuel and electric energy. In 2012 year, there are cca. 50% of cost of machines (fuel&other energy costs and depreciation) of the total production costs. As the first stage of coal production, we gave basic coal. These basic coals should be cleaned. Afterwards, two sediments of coals are given: cleaned coal and dried coal.

In mining production, Opex phase, the production plan is essential. The production plan must to be in line with sales targets. Based on production plan, the company plans their resources (external and internal) on monthly and daily basic.

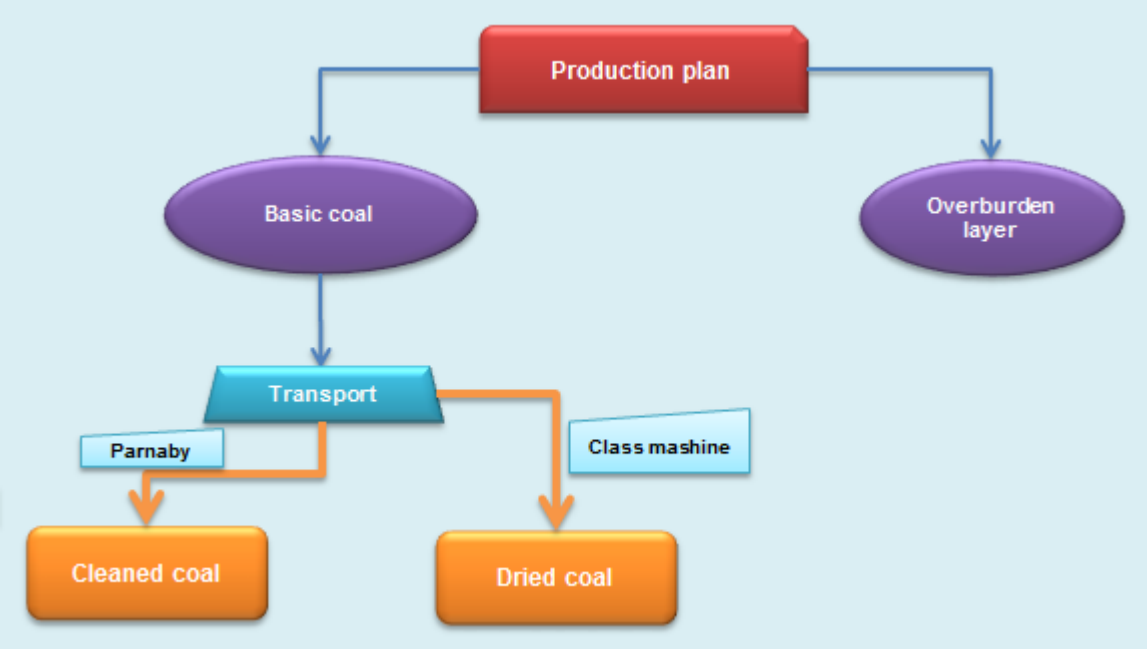

Figure 1: Production sheme in RiTeUgljevik

4. THE SOFTWARES IN MINING INDUSTRIES

There are two main players on worldwide level related to ERP software in mining industries: SAP and Oracle. The both software giants have derived solution for mining. Based on last research, ERP systemsearned more than 38% of total ERP software revenues in 2012 considering all companies world-wide (Pang, Dharmasthira, Eschinger, Motoyoshi and Brant, 2012). SAP and Oracle EBS offer up-to-date solution for mining processes. The choice of the right solution for companies is the last, but the most important stage in order to close the business model (Manojlov, Lutovac, 2012).

The common feature for SAP and Oracle is having a very good solution for mining, especially in cost calculation and measurement of maintenance costs. Oracle is launched Oracle`s mining solution map in order to better track costs and improve performances in business.

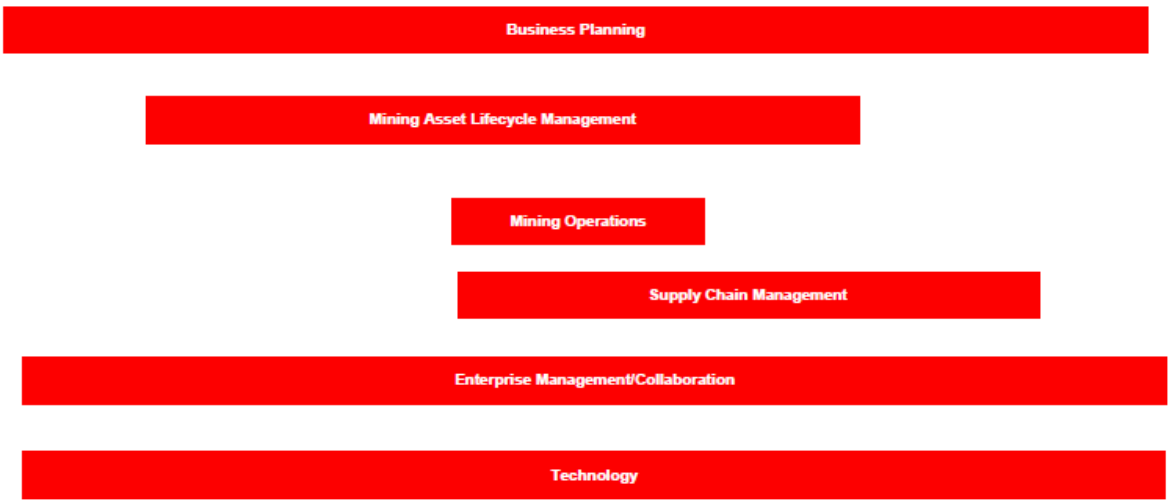

Figure 2: Oracle`s mining solution map

Oracle`s client called “Solid Energy” announce that investment in Oracle Enterprise Asset Management (eAM) is expected to yield rich dividends, enabling this capital-intensive resources enterprise to identify the true lifecycle cost of assets.

On the other hand, SAP deliver solution for mining called SAP for mining or IS-Mine. SAP for Mining consists of several technical components. One of these components is IS-Mine. The functions and tools delivered with IS-Mine are designed to handle the following key business processes in the mining industry:

Mining and primary distribution
- Maintain and optimize all mining processes
- Collect data on all mining processes

Secondary processing
- Plan long-and short-term production objectives
- Manage cost of entire supply chain
- Manage distribution processes

Normally IS-mine requires implementation of SAP ERP system previously. With SAP solutions, mining organizations can reduce operating expenses by improving efficiency in mining and processing operations, boosting asset uptime and utilization, enhancing overall logistics processes, and expanding efficiency improvements to areas like purchasing, finance, and controlling. For example, one mining company increased its overall equipment effectiveness by 75% by implementing SAP ERP (SAP AG, 2013). Additionally, mining companies can realize their sustainability strategy on safety and environmental compliance and help ensure financial success. With a clear view of profits and spending, they are in a better position to initiate internal improvement projects and drive effective negotiations with customers and suppliers. One copper mine realized a US$20 million reduction in stores inventory by implementing SAP ERP and reduced time from purchase order to requisition by 75% (SAP AG, 2013). Finally, with the SAP solutions, mining companies can realize a fast return on investment and reduce IT spending by integrating and standardizing enterprise software on a single platform. SAP solutions support organizations with acquisitions and mergers in a global environment and help them to overcome various localization issues in areas such as legal, finance, and HR when going global. SAP solutions help mining companies expand by providingthe security of long-term software vendor support. As an example, a tin mining company reduced the time required to create reports by 90% and the time required to close the monthly books by 40% (SAP AG, 2013).

5. NEW COST MODEL IN MINING COMPANY

Generally, new cost model in mining industry must to be tailored in order to cover operating and capital activities. The method is used to identify the cause and the connections between the cost inductors (cost drivers) and the cost of the activities by measuring the costs of the process the activities refer to and the cost objects. The main purpose of the method is reducing of cost and increasing of profit consequently. The basic prerequisite for the model is one final product i.e. coal.

There are several rules for implementation of new costing model for mining company:
- All costs collected on cost centers during the month will ultimately rest in the process centers.
- Costs will be moved to the process cost centers with various allocation methods.
- Overhead and utility costs will be allocated to Coal product through activity allocations during the period. At month-end, production activities will be revalued to actual and posted to Coal product. The allocation will be based on production statistics obtained from third-party systems. The management accountant will verify the production statistics before importing the data into system.
- All production orders will be settled to materials at month-end after all material movements, activity allocations and revaluations of activities have been processed for the period.
- All allocations will happen on a periodic basis.
- Differences between the moving average values/standard costs and actual costs on order related to Coal final product will be settled to materials at month-end after all material movements, activity allocations and revaluations of activities have been processed.

Table 1: The production in mining divided into two areas

Phase	Description
Production	It refers to all processes and activities related to surface stockpiling of mine. It starts with the hauling of mine from underground and ends at the surface

Shipping	Shipping refers to all processes and activities related to the shipment of coalmine to the various phase at the mining site

In order to give the correct cost in mining,the following workflow in costing is proposed:

1. Coal product order will be created to value the various phase:
   - Window coal mine.
   - High grade surface.
   - Medium grade surface.
   - Low grade surface.
   - High grade overburden layer.
   - Medium grade overburden layer.
   - Low grade overburden layer.
2. Cost collected in cost centers (one of the cost center will be shipment cost center) during the month will be allocated via activity allocation to the various orders in production.
3. The activity allocation to the various orders in production will be based on the production statistics data from the third party systems.
4. Raw material costs or additional mining costs will be allocated directly to the coal product order.
5. The coal product orders will settle to inventory at month-end.
6. Inventory valuation will be performed at the end of each period.
7. The moving average price calculated at the end of each period will be used for the next period.

All activities must to be in iteration with various users/departments in mining company. Normally, the controlling department would have some correction on period end closing activities; potential reversals of failed documents are expected in shipping, production and maintenance departments.

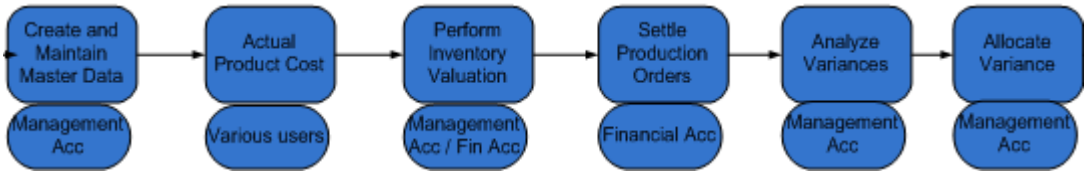

Figure 3: Departments in various phases of cost calculation

In product costing and inventory valuation, the calculation of inventory value is based upon a monthly weighted average. Each phase in coal mining will be numbered in accordance with the type of material and its stage of completion.Production costs will be derived from cost centersthroughallocation to coal product order

Apart from production orders, an investment order should take the main part in mining processes. There are two treatments of investment orders: the costs will be tracked via several accrual orders and accrual orders will be settled on periodic basis; the costs will be settled on fixed assets under construction and post on cost centers via depreciation after activation. The typical examples of these costs are: expropriation, the set up cost, initial concession for rented of mining site and overburden layer.

The presented model is very flexible. The modification of this model is possible and depends of specific of certain mining company.

6. CONCLUSION

The main benefit from establishing of new cost model in mining is cutting of cost in various phase of mining production. Segregation of production& maintenance costs in different phase and monitoring of variances is the base for the improvements of decision process.

Previous authors suggested “Phasing of coal processes” (Epstein, 2012), but nobody from them didn’t develop any comprehensive& analytical model for cost monitoring in different phase of coal processes

as well as presentation of these cost in final product. In this paper, a new modern approach is established through analyzing of all processes and conducting operations in mining companies.

The primary goal of thenew costing model presented in this paper is clear management picture of the cause of each cost. The model establishes the connections among the various cost inductors (cost drivers) in order to give the management the best option for manipulation of the costs. Additionally, themeasurement of the costs of activities is the backbone of the new costing model in mining companies.

The costing model takes into consideration the both capital expenses and operational expenses. The special attention is paid on treatment of costs of overburden layer during mining of coal.

The new costing model in mining company has analytic and holistic feature. It covers all phases in one lifecycle of mining company i.e. from set-up and expropriation till normal exploration of mining site. Also, activities in each phase in mining lifecycle have to be broken on many different parts for better monitoring of each cost.

Thispaper will be the starting point for mining companies to define their costing model and consequently expand their profit by cutting of costs in all phases of lifecycle of mining site. The next step will be practical validation of new costing model through implementation of the model in some mining company in Balkan region.

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