Faculty of Economics in Osijek –
Josip Juraj Strossmayer University in Osijek

Hochschule Pforzheim – Pforzheim University

35th Scientific Symposium

BOOK OF ABSTRACTS

COMPETITIVENESS AS A DRIVING FORCE OF LOCAL AND REGIONAL GROWTH AND DEVELOPMENT

October, 15-16, 2014
Osijek, Croatia

OSIJEK, 2014.
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INTRODUCTION

As in the past three decades, the thematic focus of the joint symposium of the Faculty of Economics, Josip Juraj Strossmayer University in Osijek and Hochschule Pforzheim – Pforzheim University was based on topics which were of great relevance for the future development of both Osijek and Pforzheim.

In this book you will find 14 abstracts from the 35th Scientific Symposium Osijek – Pforzheim „Competitiveness as a driving force of local and regional growth and development“ held at the Faculty of Economics in Osijek – Josip Juraj Strossmayer University in Osijek from 15 to 16 October 2014.
RESEARCH OF THE POTENTIAL OF THE COMPANIES FOR THE REGIONAL ECONOMIC DEVELOPMENT IMPROVEMENT

Ivana Bestvina Bukvić
Zagrebačka banka d.d.
E-mail: ivana.bestvina.bukvic@os.htnet.hr

Domagoj Karačić
Faculty of Economy in Osijek
E-mail: dkaracic@efos.hr

Keywords: capital projects, the financial position of the company, the growth and development of the region

Abstract:
Each individual institution and economic entity has the responsibility of contributing in the economic development of its region. Creating conditions for the development and empowerment of the business sector are activities that are created by individuals and institutions and in the long run, by business sector empowerment, lead to the strengthening of not only certain economic sectors, but the entire region.

In the recent period, the sources from EU funds for co-financing of the construction and modernization of production capacities projects are available to investors. Given the uncertainty in business conditions, investor’s poor capitalization, lack of business profitability and, in terms of profitability and risk, lack of high-quality capital projects, the benefits of these resources are insufficient and/or inadequate used.

The goal of almost every capital investment is to increase labor productivity, production capacities, reduce costs etc., respectively activities that can increase competitiveness and profitability of the investor's business.

Prerequisite of raising regional development is to increase its competitiveness in the area of business conditions from the viewpoint of investors. Given the fact that the economic empowerment of each company indirectly strengthens the very region, regional state institutions should create conditions for the development of business activities. In doing so, their empowerment, companies become more socially responsible and encourage the development of other sectors, but only with condition that their business is prosperous.

The aim of this paper is to, in the region of Slavonia, analyze the strength and capabilities of the companies for the financing and implementation of capital projects that are essential to the processes of modernization, increase of profitability and competitiveness. For this purpose, this paper will present the results of research into the financial position of the selected companies in 2012 and 2013. Also, the paper will present the results of research from 2011 which examined the reality of activated investment projections in a way that the analysis of the achieved results of the project in relation to the projections before its implementation will be shown. These results are the basis for a conclusion about the ability of company management in analyzed region to bring realistic plans and carry out a high-quality capital projects.
The implementation of project investment, encouraging the development and profitability of companies increases productivity, employment, consumption and living standard of in the region. It is therefore crucial to train and educate the management of undertakings for setting realistic projection and selection of high-quality projects that will affect the improvement of operations and indirectly effect on development of their region as a whole.

NOTES
CATCHING UP WITH THE DANES: HOW DENMARK EXCELS IN ENTREPRENEURSHIP AND WHAT CAN BE LEARNED FROM THEM

A QUALITATIVE-EXPLORATIVE STUDY ON THE ENVIRONMENTAL FRAME CONDITIONS PROMOTING NEW VENTURE CREATION

Kai Alexander Saldsieder
Pforzheim University, Business School
Tiefenbronnerstr. 65
75175 Pforzheim
E-mail: kai.saldsieder@hs-pforzheim.de
+49 7231-28-6459

Anne Hoag
Pennsylvania State University, College of Communications
105B Carnegie Building
University Park, PA 16802
E-mail: amh13@psu.edu
+001 814-865-7084

Keywords: Entrepreneurial business, start-up, country study Denmark, venture capital business, environmental analysis

Abstract:
By a variety of measures, Denmark ranks at or near the top of the most entrepreneurial countries in the world (http://www.thegedi.org/global-entrepreneurship-and-development-index/, http://www.gemconsortium.org/Data). This paper strives to identify key success factors explaining the success of these Nordic entrepreneurs and, doing so, suggesting strategies for German and other European policy makers and other stakeholders to further growth potential within their start-up segments. The paper is based on a theoretical framework built from concepts and relationships found in entrepreneurial studies, economics, business development management and cultural studies. The framework became the basis for a series of qualitative-explorative interviews with executives Danish venture capital firms. During the interviews, the managers discuss environmental aspects which impact new venture creation and start-up activity in Denmark on a macro-, meso- and micro-perspective. In the end, a comparison between the Danish and German frame conditions of doing entrepreneurial business, is delivered.
IMPACT OF EU FUNDS ON REGIONAL COMPETITIVENESS – CASE OF SLAVONIA COUNTIES

Sunčica Oberman Peterka, PhD, Associate Professor
Josip Juraj Strossmayer University in Osijek
Faculty of Economics in Osijek
Gajev trg 7, 31000 Osijek, Croatia
e-mail: suncica@efos.hr

Tihana Koprivnjak, mag.oec., Research and Teaching Assistant
Josip Juraj Strossmayer University in Osijek
Faculty of Economics in Osijek
Gajev trg 7, 31000 Osijek, Croatia
e-mail: tihana@efos.hr

Petra Mezulić, mag.oec., Research and Teaching Assistant
Josip Juraj Strossmayer University in Osijek
Faculty of Economics in Osijek
Gajev trg 7, 31000 Osijek, Croatia
e-mail: pmezulic@efos.hr

Keywords: EU funds, competitiveness, regional development, Slavonia counties

Abstract:
Regional development is important question in every country. European Union has strong regional policy and is working hard on harmonizing the level of development of its regions. Its goal is to lower the differences between regions as it affects competitiveness of European Union as a whole. Special role in that harmonization have EU funds as instrument which can be initiator of regional development and increase of competitiveness.

During its accession process, Croatia had the opportunity to use few pre-accession funds to lower differences between regions and to conduct necessary reforms before becoming a full member. Since Slavonia counties are among least developed counties in Croatia, possibility of accessing EU funds gave them opportunity to build infrastructure and institutions which could lead to higher level of competitiveness. By doing this, Continental Croatia region would benefit, as five Slavonia counties are part of this NUTS 2 region.

Goal of this paper is to give overview of EU funds, capacity of absorption, and their impact on regional competitiveness, based on analysis of Slavonia counties. After a review of EU and Croatia regional and development policy and types of funds, there will be given analysis of used funds and certain cases of funded projects in these counties.
HUMAN RESOURCES AS A BASIS FOR BUILDING COMPETITIVE ADVANTAGE IN THE ENTERPRISES IN BOSNIA AND HERZEGOVINA

Adisa Delić PhD, Associate Professor
University of Tuzla, Faculty of Economics
Department of management
E-mail: adisa.delic@untz.ba

Selma (Poljić) Smajlović, uni, spec.oec., senior assistant
University of Tuzla, Faculty of Economics
Department of management
E-mail: selma.poljic@gmail.com

Key words: human resources, competitive advantage, enterprises in Bosnia and Herzegovina

Abstract:
The contemporary business environment generates hyper changes and hyper competition, which is why the enterprises are challenged to search for new sources to preserve and build competitive advantage in the global marketplace. In theory and practice of management, it is the general view that people and their knowledge are becoming a fundamental value in modern enterprises, and that the successful human resources management is an important determinant of competitiveness. Nevertheless, the importance of having specific knowledge and skills in the enterprises in Bosnia and Herzegovina is still not recognized. Therefore, human resources of these enterprises are not treated in accordance with their importance. Therefore, the objective of this paper is to point to the state and prospects of human resources development in the enterprises in Bosnia and Herzegovina in the context of improving their competitiveness. This paper includes the results of one part of the empirical research, covering 120 enterprises from Bosnia and Herzegovina, which was conducted in order to identify and analyse the situation in the field of key phases of human resource management in these enterprises (job analysis, human resource planning, management and selection of human resources, training and human resource development, evaluation of work performance, selection and implementation of the reward system, and management of human resource fluctuation). Based on the results, it can be concluded that the human resources management in these enterprises is underdeveloped when being viewed as the special managerial function or as a business function, but also when it is treated as a separate modern business orientation where people and their knowledge are the key value in the enterprise. The study results also show inadequate organizational treatment of human resource management in the enterprises in Bosnia and Herzegovina, considering that the awareness of managers about the importance of establishing a sector of human resources in these enterprises is still not sufficiently developed.
BUILDING COMPETITIVENESS ON IT INDUSTRY - CASE OF OSIJEK SOFTWARE CITY

prof.dr.sc. Josip Mesarić
Josip Juraj Strossmayer University of Osijek
Faculty of Economics in Osijek
Gajev trg 7, 31000 Osijek
E-mail: mesaric@efos.hr

Jelena Franjković, mag.oec.
Josip Juraj Strossmayer University of Osijek
Faculty of Economics in Osijek
Gajev trg 7, 31000 Osijek
E-mail: jelenaf@efos.hr

Dario Šebalj, mag.oec.
Josip Juraj Strossmayer University of Osijek
Faculty of Economics in Osijek
Gajev trg 7, 31000 Osijek
E-mail: dsebalj@efos.hr

Keywords: IT industry, Osijek Software City, employment

Abstract:
Although eastern Croatia, using its natural resources and very good geographic location, used to be industrially highly developed, nowadays it is one of the least developed regions in the Republic of Croatia. Driven by a war situation, the disappearance of traditional industries contributed to weak development. In the past, those industries employed thousands of people and successfully worked on a closed market, which was sufficiently big and, more importantly, faithful. With market opening and disappearance of labour-intensive industries, the need for change in thinking became obvious, together with education and encouraging of self-employment. The establishment of the Centre for Entrepreneurship, followed by the Business Incubator BIOS in Osijek a few years later, created the foundations and entrepreneurial supportive infrastructure for good business ideas which can find their market niche.

The involvement of numerous highly educated and enthusiastic IT experts, supported by this infrastructure, increased the development of IT industry in Osijek. This is an industry where market has no limits, entry costs are very low and revenues are relatively high. Since numerous IT start-ups were founded in the area of Osijek, several people, mostly owners of those enterprises, decided in 2012 to initiate the project named Osijek Software City (later abbreviated to OSC). OSC brings IT enterprises together and helps them in management and networking in order to achieve three main goals: to increase the attractiveness of IT development profession in Osijek, to increase the competitiveness among programmers on the market and to encourage IT entrepreneurship. A year after this initiative started, the Association Osijek Software City was founded.
In this paper, the case study of OSC will be shown in detail, as well as its influence on the region’s competitiveness. The key point of OSC initiative is employment since there is a deficit of quality staff in the regional IT industry. This issue is something that OSC is trying to solve through various events and workshops, highlighting knowledge and skills that are required for individuals in order to facilitate their employment, but also through communication and cooperation with the academia, which is of exceptional importance in the rapidly changing IT industry.

For the purpose of this paper, the interview with the OSC Association secretary has been conducted, which presents their achievements from the initial stages to the present. In two and a half years of existence, OSC Association gained recognition even beyond the borders of the Republic of Croatia, which also contributed to increased exports of enterprises acting within OSC.

NOTES
Keywords: Competitiveness, social supply chain management, corporate social responsibility, capability approach, rural India

Abstract:
Bayer CropScience is carrying out a Model Village Project (MVP) in rural India as part of their supply chain management and their corporate social responsibility activities. The MVP includes actions related to future business cases as well as philanthropic activities. Future business case actions aim at creating prerequisites for win-win-situations. In the long term, these prerequisites, such as long-term business relations with suppliers based on trust from both sides can lead to a higher competitiveness of the whole supply chain and simultaneously improve human development. The capability approach (CA) developed by Amartya Sen (2000, c1999) which is the basis for the evaluation might also be valuable for the planning and implementation of corporate strategies to enhance villagers' well-being in multiple dimensions. The CA focuses on the villagers, notably on the beings and doings they do value and have reason to value. The case of the MVP shows that companies, like other stakeholders, can contribute to the human development in the villages. According to the CA the villagers should then be placed in the center of all activities. Actions have to be differentiated under consideration of the living and financial conditions different supplier groups face. In the future, the MVP aims at assessing whether and how MNCs by may be able to combine competitiveness enhancement with human development, provided that potential corporate risks for villagers' human development are also taken into account.
BRAND EQUITY OF GROCERY PRODUCTS:
PRICE PREMIUMS OF MANUFACTURERS’ BRANDS AND
RETAILERS’ PRIVATE LABEL PRODUCTS

Volker Trauzettel
Pforzheim University, Business School
Tiefenbronner Str. 65
75175 Pforzheim
+49 7231-28-0
E-mail: volker.trauzettel@hs-pforzheim.de

Keywords: Brand equity, price premium, generics, consumer goods, food products

Abstract:
Brand equity is commonly viewed as the value endowed to a product by the brand. To create brand equity the management needs to have a measurement system. Aaker (1991, 1996) proposed to measure brand equity as a composition of awareness, perceived quality, loyalty, and associations. Loyalty is at heart of brand equity. For example, with competing brands we can ask at what change of price the consumer will switch from one brand to the other. This price difference is called price premium. This paper analyses the price premium of fast moving consumer goods in the grocery sector by comparing the prices of manufacturer branded products to retailer’s private label branded products. The analysis is based on a set of one year sales data (scanner data) of a German retailer. The price premiums vary strongly across categories. We discuss these differences and provide explanations. We also analyze the volume and revenue premium of the branded products.
STAKEHOLDERS’ PERCEPTION OF ORGANIZATIONAL DECLINE ON EXAMPLE OF INDUSTRIAL DINOSAUR

Blaženka Hadrović Zekić, PhD
Josip Juraj Strossmayer University in Osijek
Faculty of Economics in Osijek
Gajev trg 7, 31000 Osijek, Croatia
e-mail: hadrovic@efos.hr

Key words: stakeholders, turnaround, company, experimental study, Croatia

Abstract:
The role of stakeholders on a business enterprise is of key importance. Not only that they have direct influence on business performance, but they also have affect business through connections or external influence on a company. However, stakeholders are aware of the fact that enterprises are like live beings, whereas decline is a disease. In other words, the earlier organizational decline is noticed, the easier it is to solve the problems, thus reducing the need for drastic measures of a turnaround process.

From an idea (beginning) until the end of a company’s life, events to the largest extent depend on the management who is able to make business decisions based on a good accounting information system providing good and timely information. Monitoring the life cycle phases of a company is of extreme importance to management, however insider view can be narrowed. However, stakeholders especially connector and external have different view on the same thing, which is often broad.

Each business has its ups and downs. However, business problems come into existence long before they are recognised through crisis. Bankruptcy prediction models provide reliable results in short term period – up to three years, often too late. To successfully avoid decline, that is, to reduce the risk of decline and maintain business efficiency, entrepreneurs need to successfully meet expectations of key stakeholders, who continuously shape and reshape their ideas about the health of a company they are doing business with.

In this paper the author explores the stakeholders' perceptions of organizational decline on example of industrial dinosaur through monitoring internal business factors – organization’s financial indicators, fiscal control system, technology and human resources. Research questions are tested by surveying a sample of 88 stakeholders in Croatia in a scenario-based study. The results showed do stakeholders recognize potential problems within business enterprise and determine the order of importance among four determinants (financial indicators, fiscal control system, technology and human resources).
FIXED-TERM CONTRACTS
AND DISMISSAL PROTECTION -EVIDENCE FROM
A POLICY REFORM IN GERMANY

Lutz Bellmann
University of Erlangen-Nuremberg and
Institute for Employment Research
Regensburger Str. 104
90478 Nuremberg
E-mail: Lutz.Bellmann@iab.de
+49 911 179 3046

Hans-Dieter Gerner
Institute for Employment Research
Regensburger Str. 104
90478 Nuremberg
E-mail: Hans-Dieter.Gerner@iab.de
+49 911 179 8114

Christian Hohendanner
Institute for Employment Research
Regensburger Str. 104
90478 Nuremberg
E-mail: Christian.Hohendanner@iab.de
+49 911 179 5941

Keywords: Firm level worker flows, small establishments, Protection Against Dismissal Act, quasi-experiment

Abstract:
In our paper, we analyze the impact of German employment protection legislation on the firms’ employment adjustment patterns in small establishments. We explore a reform of the Protection Against Dismissal Act (PADA) in 2004 that decreased the employment protection in small establishments and thus generated a quasi-experiment. Extending previous studies we distinguish between open-ended and fixed-term contracts, as the latter might be used to circumvent the PADA. Applying difference-in-differences estimations based on IAB Establishment Panel data we find no overall effect of the reform on firms’ employment adjustment patterns. However, the proportion of hirings based on fixed-term contracts decreases significantly.
EVALUATION OF FINANCIAL
PERFORMANCE OF PENSION FUNDS IN CROATIA

Dražen Novaković, mag.oec.
Josip Juraj Strossmayer University in Osijek
Faculty of Economics in Osijek
Gajev trg 7, 31000 Osijek, Croatia
E-mail: dnovakov@efos.hr

Keywords: pension funds, financial performance, competitiveness, Croatia

Abstract:
The aim of this paper is to evaluate the financial performance of pension funds in Croatia. The typical performance measures for pension funds are identical to those used for evaluation of the performance of other investment vehicles. Although there are other factors which are important in the pension funds overall performance, this paper focuses on investment accomplishments. Simple measures of performance, such as monthly or annual returns, do not provide any point of reference and are not helpful if not measured against a benchmark. Generally speaking, the purpose of measuring portfolio performance is to determine whether portfolio managers add value compared to passive investment strategies. The traditional approach to pension funds performance evaluation underlines standard measures of financial performance (e.g. ratios such as Sharpe’s, Sortino’s, Treynor’s, etc.). These gauges quantify ability of pension fund managers to deliver an active management risk premium (the value added), with respect to benchmarks.

In this paper, the previously mentioned traditional measures of risk-adjusted performance are applied to Croatian pension funds. Recent changes in pension systems in other emerging and Eastern European countries put emphasis on this issue in Croatia once again. The analysis furthermore includes evaluation of pension funds’ asset allocation. Analyzing period covers twelve years, from establishment of pension funds in Croatia in 2002 until 2013. The main hypothesis of the paper states that Croatian pension funds underperform with respect to benchmark. Since long-term inflation-indexed bonds' return is used as benchmark, the main hypothesis holds. The financial performance of pension funds in Croatia is also compared with performance of pension funds in several Central and Eastern European economies.
THE IMPACT OF TANGIBLE ASSETS ON SMALL AND MEDIUM SIZE COMPANIES' CAPITAL STRUCTURE

Martina Harc, PhD
Croatian Academy of Sciences and Arts,
Institute for Scientific and Art Research Work in Osijek
031/214-928, 031/207-407
E-mail: harcm@hazu.hr

Keywords: tangible assets, capital structure, leverage, small and medium-sized enterprises

Abstract:
Asset structure of the companies should matter for financing decisions. Small and medium size companies in Croatia may use tangible assets as collateral, either providing more access to creditor or as guarantee in case of bankruptcy. The aim of this paper is to investigate how does tangible assets affect capital structure of Croatian small and medium-sized enterprises. Most of previous studies have shown a various relationships between tangible assets and leverage. This study has been conducted on a sample of 500 Croatian SME's for the period 2005. to 2010. The data used for the empirical analysis were derived from companies' annual reports. Pearson correlation coefficient is applied in order to examine the relationship between tangible assets and leverage measures. The results of this research indicate that tangible assets differently affect short-term and long-term leverage. The relationship between tangible assets and short-term leverage is negative and statistically significant in all observed years. The relationship between profitability and long-term leverage is positive in all observed years and statistically significant. Results shows that small and medium size companies use their collateral to attract long-term debt which means that small and medium size companies uses lower costs and interest rate of long-term debt in relation to short-term debt. These findings are in accordance with maturity matching principle that long-term assets are financed with long-term financing and short-term assets are financed with short-term funds. These results suggests that tangible assets have positive impact on long-term debt of Croatian SME's because tangible assets constitute a positive signal to the financial institutions who can request the selling of these assets in the case of bankruptcy. These findings are consistent with the trade-off theory which predicts a positive relation between leverage and tangibility but also and with the pecking order theory which is generally interpreted as predicting a negative relation between leverage and tangibility.
CHOICE OF LAW CLAUSES IN B2C-CONTRACTS AS A MEDIUM FOR COMPETITION OF CONTRACT LAWS?

Andreas Willburger
Pforzheim University, Business School
Tiefenbronnerstr. 65
75175 Pforzheim
E-mail: andreas.willburger@hs-pforzheim.de
+49 7231-28-6209

Keywords: Choice of law, b2c contracts, competition

Abstract:
In a contract between a professional as seller and a consumer as buyer a choice of law in favour of the seller’s law is valid. This disadvantages consumers regularly. In order to protect consumers, the European legislator regulates as follows.

If the consumer has his habitual residence in another state and if the seller directs his activities to this state, the law of the consumer’s state is also applicable. The collision between the chosen law and the applicable law in the absence of a choice is balanced by the comparison of both laws. In each single dispute the more favourable provision for the consumer is applicable.

Consequently, in b2c contracts there is no competition possible by choosing a more favourable law for the seller. Further, this leads to a limitation of economic competition, especially for SME, because the need to study the law of the consumer’s residence state is a real obstacle. Therefore, the European legislator published in 2011 the Proposal for a Common European Sales Law, which stipulates a second sales contract regime in order to facilitate cross border sales in the European Union.

If this proposal will be enacted, a competition to disadvantage consumers by choice of law is not possible too. But it will increase cross border sales opening the possibility for consumers to benefit from the internal market. Additionally it is possible, that the rules of the Common European Sales Law make pressure to the national contract laws towards a harmonisation.
CAN NEW CUSTOMS PROCEDURES AND LOGISTIC STANDARDS IMPROVE COMPETITIVENESS OF COMPANIES?

Aleksandar Erceg, Ph. D. Econ.
Saponia d.d. Osijek
M. Gupca 2, 31000 Osijek
Phone: ++ 38531513412; Fax: ++ 38531513402
E-mail: aleksandar.erceg@saponia.hr

Keywords: customs procedure, logistic standards, supply chain management, competitiveness

Abstract:
Companies are facing every day competition on regional, national and international lever on today’s global market. In order to become and/or remain competitive companies are using different strategies and different tools that are available. One of the potential areas for companies to lower the costs are supply chain management, logistic and customs procedures. Today’s modern information technology is allowing companies to use different logistic and customs procedure tools. Implementing different logistics standards in supply chain management can create savings for company’s everyday operation and therefore lower the costs and make company more competitive. Company can with implemented logistic standards and with use of different modern customs procedures save time and money.

Companies in Croatia can use different customs procedure tools and logistic standards in order to lower their costs and become competitive on the market. For every procedure company wants to use it has to prepare itself and adapt to the standards. Process of using this tools is not one day work but is ongoing and demand continuous efforts so company has to be ready to improve every day in order to be and remain competitive. Companies that are using different modern customs procedures are saving time and money not only through procedures but also through better usage of their workers time, their vehicles and other equipment.

Paper presents different customs procedures and logistic standards that can help companies to save time and money and be more competitive. In the second part a Croatian company that is using different available procedures and standards is presented together with its cost and time saving that are coming from using available customs procedures and logistic standards. All this procedures are helping company to be better, cheaper and more attractive to its customers.
LEVELLING VS COMPETITION – POLITICAL TREND REVERSAL IN THE GERMAN HEALTHCARE SYSTEM?

Sascha Wolf
Pforzheim University, Business School
Tiefenbronnerstr. 65
75175 Pforzheim
E-mail: sascha.wolf@hs-pforzheim.de
+49 7231-28-6325

Volker Amelung
Hannover Medical School
Carl-Neuberg-Str.1
30625 Hannover
E-mail: amelung.volker@mh-hannover.de
+49 511-532-5417

Keywords: German healthcare system, Health Fund, contract competition, integrated care, innovation fund

Abstract:
For almost 20 years, the German federal government has declared that competition is the key to ensuring the financial sustainability of the healthcare system. However, a closer look at health politics reveals a different picture. In contrast to its own pronouncements, the German government in no way follows a direct path to enhancing competition. Especially since the introduction of the Health Fund in 2009, a clear trend towards more levelling and regulation can be observed. This trend is confirmed by the most recent healthcare reform act in June 2014. The abolishment of flat-rate premiums is the expression of the government’s fear that competitive pressure could endanger the solvency and viability of sickness funds (statutory health insurance funds). At the same time, competition on the markets for medical services and selective contracts is slowly trickling away. Strengthening innovation competition requires effective incentives for more investment and a legal basis which enables the introduction of new forms of care in a less bureaucratic way.