

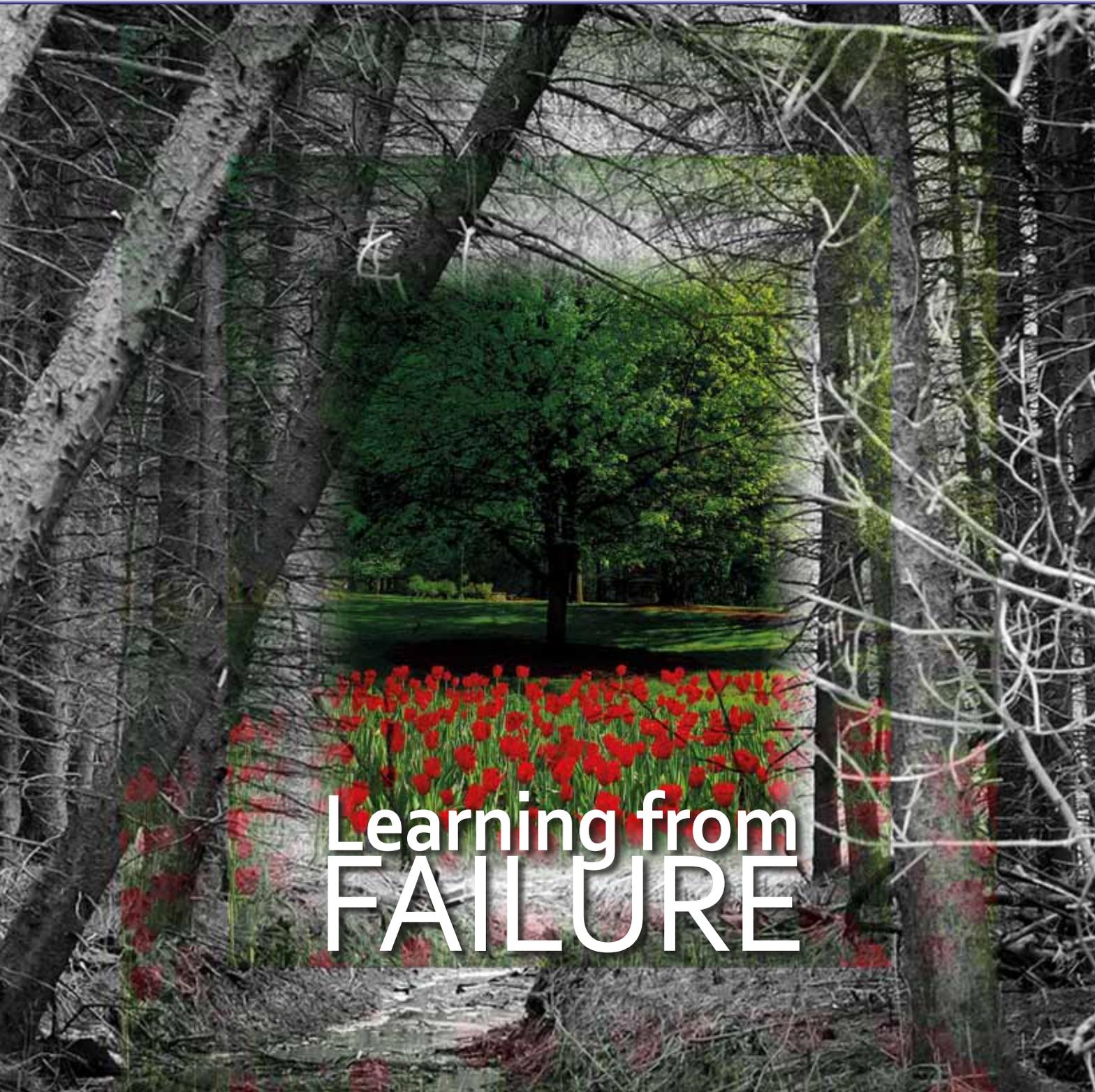
Emerging Macedonia



Magazine of the American Chamber of Commerce in Macedonia

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FAILURE

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Сé што Ви е потребно е да подигнете корисничко име и лозинка за најавување, како и бесплатна листа на кодови или дигитален сертификат во просториите на Банката.

There are no secrets to success. It is the result of preparation, hard work and learning from failure.

Colin Powell



Executive Director

Sonja McGurk

Dear Members and Friends,

The ability to turn failure to advantage is critical element of business competitiveness in the global market. The concept of failure, in its broadest meanings, is a difficult issue for many business leaders to confront. Failure has so many negative connotations that it is easy to lose the critical aspect of failure: that it leads to success. It is with this notion in mind that I wanted to focus on the concept of failure and the need to learn from it. Culturally this is not a subject close to our "Balkan mentality". There are undoubtedly cultural dimensions such as levels of acceptable risk, and managing those risk elements, that must also be understood.

In the U.S, it is common for businesspeople and entrepreneurs to try many things and fail many times before finding that "golden opportunity" and creating a successful business or product. In fact, many of the most famous U.S. entrepreneurs started out with a string of unsuccessful business ventures – Bill Gates (the creator of Microsoft) and Steve Jobs (the father of Apple computers) to name but a few. Even Donald Trump himself, the self made billionaire, went bankrupt not once, but twice in his career. This did not deter him from continuing to learn from his failure in search of success.

I would argue that this innovative mindset has yet to come to Macedonia. The country continues to have high levels of unemployment. The long-term potential for those unemployed people to become economically productive is there but remains untapped. Young businesspeople may dip their fingers into some business venture, but at the first signs of trouble run and never try again. With this issue we wanted to highlight those brave businessmen and women who have experienced failure, have learned from the process and who are now successful in business. By highlighting their journey towards professional and personal success, I hope that we can make a modest contribution towards demonstrating the importance of learning from failure. Above all, we want to encourage more people to just try and make a difference. As Stephen Kaggwa said "try and fail, but do not fail to try".

We are also featuring an interview with Ms. Liza Popovska, CFO of Pivara Skopje, a successful and inspiring businesswoman, and the latest addition to AmCham Macedonia's Board of Directors. Ms. Popovska was elected First Vice President of the Board at the beginning of October.

As always, our website is regularly updated and has the latest information on our activities and events. Feel free to check it out from time to time – www.amcham.com.mk.

At the end, I will leave you with another inspiring quote by the U.S. poet Maya Angelou "Courage allows the successful woman to fail and learn powerful lessons from the failure so that in the end, she didn't fail at all."

Until the winter,
Sonja McGurk

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Business failure – a stepping stone to success

Failures are toughest but best business school

Companies founded by re-starters have higher turnover and employment growth than companies run by entrepreneurs who have never experienced failure

"A smart person learns from the mistakes of others" goes a saying that school children from different cultures of the world hear again and again. "When you work you make mistakes" comforts another one you might hear from your colleagues and friends after your first serious mistake or business failure. Is it possible to be always good, to learn strategically from the mistakes and experiences of the others and to always make the right decisions? Not likely, even if you were a genius. The conditions in today's world economy which still feels the consequences of the recession are so volatile that sooner or later you are bound to make a mistake. Maybe even a series of mistakes which may bring a total failure, even bankruptcy. This happens much more often than thought. The moment when failure slaps you in the face ruining all your hopes, work and investments in your own business idea, was felt by hundreds of thousands of entrepreneurs, businesspersons, managers...

Business failure or learning experience

According to the U.S. Business Trends Report of Dun and Bradstreet, in the United States of America bankruptcy was declared by more than 59 thousand companies or 10% more than 2009. In the European Union every year 1.5 million jobs are closed because of companies' failure to pay their debts. Statistics shows that in the U.S. and the EU 50 to 90 % of the new businesses on average fail in the first year. Those who survive will be at risk until their fifth birthday. Then, normally, new difficulties and problems appear, but at least the chances of bankruptcy are reduced. On the other hand, there are no accurate statistics as to how much alcohol, tranquilizers, hours and days spent in pity and wonder how to repay accumulated debts are spent by entrepreneurs who have experienced business failure. The number of friends, associates and financiers that are lost, and it is not possible to calculate how much courage, confidence and potentially good business ideas are gone for good. Hundreds of them through Internet blogs and Web sites share the experience of failure which they say often means that entrepreneurs have been through a personal hell.

"I've experienced the failure of a business first hand. It was very painful and I didn't have anyone to talk me through it. There isn't much information about business failure online. It seems like a topic that few want to talk about... maybe it's one of the few taboos left!" says Sandra from the U.S. on her blog "The Hungry Entrepreneur".

Still, few entrepreneurs do think about giving up. After facing their mistakes and disturbing results from a failed business, most of them pounce on the next business idea with the same passion.

"People who start a new business risk their reputations as well as their money and property. Entrepreneurs worry most about how their families would cope if they went bankrupt... A study on the performance of Europe's fastest-growing companies shows that companies founded by restarters have higher turnover and employment growth than companies run by entrepreneurs who have never failed... Business failure does not mean losing the entrepreneurial spirit. "Research shows that a large majority of people whose businesses had failed still had plans for new business projects" concludes the EC Department for Enterprises and Industry. In recent years, most influential media published similar findings. Forbes advised on easier ways to overcome failure, Bloomberg agency published stories about entrepreneurs who, despite complete collapse "rose back from the grave," and Harvard Business Review devoted its newest edition to cover all the aspects of "the failure issue". Their common conclusion echoes that of the American inventor and businessman Thomas Edison: "I have not failed. I've just found 10,000 ways that won't work." The point is that in today's business it is quite normal to experience failure. What is important are the analyses and reviews made in the recovery phase and the knowledge gained so that in the next business venture entrepreneurs who have experi-

“Success is a lousy teacher.
It seduces smart people
into thinking they can’t
lose.”

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can, or you think you can’t
-- you’re right

“If you think you’re too
small to have an impact,
try going to bed with a
mosquito.”

“Sometimes by losing a
battle, you will find a new
way to win the war.”

enced failure are much more prepared and have a higher chance of success. It is pointed out that businesses run by entrepreneurs who have already experienced failure are more likely to attract investment funds that invest in the early stages of SME development than those who have never felt the bitter taste of failure.

What will the neighbors say?!

Surviving failure and the difficult financial consequences that often follow it are not the only problems that entrepreneurs, managers and companies need to cope with. In many market economies, although the general rules of the game are the same, there are different ways of looking at failure. In the U.S. it is mostly seen as an integral part of the process of business maturing, but in much of the world it is different. Business failure is often stigmatized by the environment, and entrepreneurs who have encountered it often don’t get a second chance.

“Europeans fear business failure. They need to be shown that new attempts are part of a normal process of learning, research and discovery through, for example, information campaigns and education programmes. The Commission has created awareness-raising tools which can be used for this purpose. The media also have a role to play, particularly when it comes to combating the cliché according to which bankruptcy is a crime, regardless of the cause. Lastly, sustained dialogue with all involved parties should make Europeans aware of the advantages of a fresh start... Entrepreneurs who create a second business face psychological, technical and financial difficulties. Training and coaching should therefore be made available to them. It is also necessary to promote the link between these entrepreneurs and their clients, business partners and investors, who are often suspicious of bankrupts”, states the EC Report on policy creation to overcome stigmatizing of failure.

Statistics are probably the most telling of this. According to the Eurobarometer, 48% of the Europeans agree with the statement “You should not start a business if it might fail”, compared with just 19% in the United States.

This conclusion is shared by Alex Singleton, a journalist with the UK daily The Telegraph, in his report on the World Entrepreneurship Summit. He says that in Britain stigmatism discourages people to learn from their

mistakes and to give it one more try because their business failure is interpreted as a personal failure.

“Instead, they too often go into hiding for months and emerge in some truly dreary employment, content to never lift their heads over the walls again. The stigma also has the pernicious effect of encouraging businesspeople to stick with an only partially-successful venture. If they quit, they fear they will be looked down on. This compounds the problem. Seth Godin, American author of The Dip, argues that successful people quit things all the time, and they quit early. “Some lay the blame for Britain’s (and Europe’s) lack of Google-

type companies at our education system. To my mind, a bigger cause is cultural. Fixing that is going to be difficult”, writes Singleton.

This type of mentality does not end with Europe. The same problem is also present in fast growing economies, such as India. Vivek Wadhwa, an academic with various U.S. universities such as UC Berkeley, Duke University and Harvard Law School and a software entrepreneur before that, has dominated many of the conversations around entrepreneurship and technology in the U.S. over the last few years.

“After moving to Silicon Valley one and a half years ago, the first thing I would often ask people, when I met them, where they were working. People would tell me, and then go on to say how many other companies they’ve started in the past and how many of them had failed. It was almost like they were showing off how many times they had failed. Silicon Valley has learnt that technology is all about experimentation. The more experiments you’ve performed, the more you’ve learnt. People want to show that off. In India, failure is still considered a stigma. Probably because in the old days when businesses were all about dealing with customers, failure often meant cheating or failing them”, he said in an interview with Forbes magazine.

Legendary failures turned into successes

Certainly a huge number of companies and businesses never recover from their defeats. The list of big companies that have closed their doors for good is huge. Wikipedia lists hundreds of companies from 1900 onwards, but it does not yet include the names of hundreds of companies that had failed to survive the last crisis. But there are some which have known for a long time to

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appreciate defeats, errors and falls as a learning experience on the road to success. Without their persistence and courage against all odds, we wouldn't have had these stories:

o **Ford Motor Co.** - Henry Ford suffered a few failed automotive endeavors early in his career, including Detroit Automobile Co., which he started in 1899. Its cars were low quality and too pricey for average consumers. Ford continued to develop better auto designs and gained national acclaim in 1904 by demoing a car -- the "Ford 999" -- that broke the land-speed record by going a mile in about 40 seconds. In 1908, he released the Model T, a well-made, low-priced car that quickly gained traction with U.S. consumers. Annual sales topped \$250,000 by 1914. "Whether you think you can, or you think you can't -- you're right" is one of his quotes.

o **The Body Shop** - When Anita Roddick opened the first Body Shop, a beauty products company, in Brighton, U.K., in 1976, two neighboring funeral parlors initially objected to the name. Roddick fought back by suggesting to a local newspaper that she was a woman entrepreneur under siege. The publicity generated traffic to the store, and by the early 1990s, there were more than 700 Body Shop stores.

Quote: "If you think you're too small to have an impact, try going to bed with a mosquito."

o **Federal Express (now FedEx Corp.)** - After revolutionizing overnight mail delivery in the 1970s, Frederick W. Smith introduced an electronic delivery service, Zapmail, in 1984 to compete with fax machines. But Zapmail didn't draw the anticipated interest and cost the company nearly \$350 million over two years. FedEx abandoned Zapmail in 1986 and the company refocused its energy on its core delivery business. The company generated \$35 billion in revenue in 2010.

Quote: "Leaders get out in front and stay there by raising the standards by which they judge themselves and by which they are willing to be judged."

o **Apple Computers** - After his forced resignation from Apple in 1985, Steve Jobs spent the following several years developing NeXT, a computer workstation for educators. But with a high price tag and reports of numerous bugs, sales never materialized. The company burned through hundreds of millions of investor

dollars. Apple announced it would buy NeXT in 1996, bringing Jobs back to the company as interim CEO. He's since developed the iPod and iPad, making Apple one of the most successful Fortune 500 companies of the past decade.

Quote: "You can't just ask customers what they want and then try to give that to them. By the time you get it built, they'll want something new."

o **Microsoft Corp.** - While high-schoolers in the 1970s, Bill Gates and Paul Allen started Traf-O-Data, a computer business that automatically read paper tapes from traffic counters for local governments. The idea later became obsolete when the state of Washington offered to tabulate the tapes for cities for free. The two learned from their failed business how to write software for a computer they didn't yet have access to and created a new start-up called "Micro-Soft."

Quote: "Success is a lousy teacher. It seduces smart people into thinking they can't lose."

o **Oracle** - Larry Ellison dropped out of college twice; and bounced from job to job without a direction. His adopted father told him that he would not amount to anything in life. But Larry Ellison started Oracle from scratch and went on to become one of the richest drop out billionaires in the world and this is what he has to say about it.

Quote: "The most important aspect of my personality as far as determining my success goes; has been my questioning conventional wisdom, doubting experts and questioning authority. While that can be painful in your relationships with your parents and teachers, it's enormously useful in life."

o **Donald Trump** is a savvy real estate billionaire that has gone through bankruptcy; not one but twice. He once had a personal debt of \$1 billion and corporate debt of \$9 billion but he courageously pulled himself out of the mess and this is what he has to say about his business failures.

Quotes: "Anyone who thinks my story is anywhere near over is sadly mistaken." – "Sometimes by losing a battle, you will find a new way to win the war." - "I was relentless even in the face of total lack of encouragement because much more often than you think; sheer persistence is the difference between success and failure."

Learning from other people's mistakes is great, smart and saves you money, but nothing is so well remembered as that which you have experienced on your own skin. Whether mistakes and failures will be a wall that prevents you to realize your ideas or a ladder to success depends on each individual entrepreneur. That perception is obviously slowly changing. What has previously been seen as a stain to one's business career can now be a reason for someone to want to cooperate with you. The whole situation is perhaps best describes by the brief motto of the special unit of the British Army, the SAS – "Who dares, wins!"

Interview with **Liza Popovska**, CFO of Pivara Skopje AD, and First Vice President of AmCham Macedonia's Board of Directors

Experience learning as one of the basic business concepts

Pivara Skopje is a company established in 1924 for beer & malt production. In 1977 the company started with the production of soft drinks and in 1991 acquired the license for the production of Coca-Cola brands, soon after becoming part of the Heineken Group. Over the years the company has grown into a successful company with a diversified brand portfolio attaining the highest market position.

The success is a result of a lot of invested effort, knowledge and experience of a team of a highly motivated and competent people, well trained, respected and awarded.

The Company strategy is to satisfy the needs of its consumers and customers, through the dedication of its employees, always in harmony with the community.

Conducting a business does not simply mean achieving business goals, but being a corporate socially responsible member of the community we live and work in, at the same time sharing the success and knowledge with its members.

Recently, the CFO of Pivara Skopje AD, Mrs. Liza Popovska became a member of AmCham's Board of Directors.



Experience can be both positive and negative, but negative ones ought to be treated as gifts, because it will mean you are already thinking of ways to overcome them. We should strive at all times to learn from negative experiences whether our own or not, as this is the paramount way.

The topic of this issue of our magazine is learning from positive and negative experience as foundation for continuous future improvement. As sharing is giving, Mrs. Popovska will share the experience on how large companies treat negative business experiences.

AmCham: What is your overall impression of negative experiences, do you consider them to be inevitable in business and can they serve as a useful practice?

Everyone can experience a fall back, but for me, the important thing is how you understand it, whether you see it as an excellent learning point.

The basic business concept here is – learning from experience. In recent past, failure was not a common topic to talk about. Back then success and successful growth were mostly pointed out. However, things have changed. The concept of learning from failure is a concept which has been conferred and

communicated a lot in the past 3-5 years. Transparency, experience sharing and knowledge are important for others to be able to learn. I remember a CEO of a large international company who once said: "I treat my failures as gifts," and for this I strongly believe that he's right. One cannot constantly progress, perfectly normal for everyday life. This statement had a great influence on me, because if you treat negative experiences and draw backs as gifts, it means you are already thinking of ways how to overcome them. I think we should regularly learn from the experience of others, and especially from our own, because that is the ideal way to go forward. The concept of understanding negative experience and failure is something yet to come. It is a topic that has been present in developed countries for many years now, and it is constantly elaborated, by seeking ways to understand it, learn from it and finally how to recover from it.

AmCham: Do you have an applied learning methodology?

Yes, in our company we have a practice to examine the learning points from our business point of view. Here, I would point out that talking about failure and learning from failure are quite important. Open conversations and the sense of transparency and motivation to share experiences with the team members is vital.

AmCham: As the CFO of a large and successful company, do you think that in the present economic conditions, it is better for companies to give their managers and employees bigger freedom in decision making, bearing in mind that this also increases the risk of making wrong decisions?

Until several years ago, the top-down approach was very well known. But, nowadays the bottom-up approach has been increasing more. It's normal to experience difficulties at the beginning, mistakes could be made and therefore, the manager should take responsibility, delegate, until reaching ideal combination that will lead the company towards the full implementation of the bottom-up approach. One have to be aware that this cannot be achieved over night, it takes time, a period of 3-5 years. We, as a company introduced this approach through investing in our people with excellent trainings, workshops, as

well as investing in their knowledge and awareness. We believe that the time and effort, along with quality communication, is what it takes. It is all about the communication with our internal and external customers. Our aim is to provide perfect customer service internally, as we strive to do with our external customers. This is very important for the employees so that they really feel as company stakeholders and believe they are part of the company.

AmCham: You've been part of Pivara Skopje for quite a while; can you tell us what is your perception, have changes occurred in the last 3 years, since the beginning of the World Economic Crisis?

The global environment has changed, so changes locally are inevitable and should be expected. As the conditions of managing, leading companies, business decision making have changed globally, it is common for changes in the management to occur locally as well. What is most important in these changes is for the people to adapt their mindset.

Should changes happen as they have, we are not to stand still, we should work on continuous change and adapt. However, this depends on the willingness of people adapting and the level of their flexibility. The technology is changing, as well as the conditions in the world market, and therefore, it is inevitable that people need to work on changing their mindset. The mindset is not something given once for all, but should be continuously transformed and developed.

The pace of thinking and understanding the situation is key here, as adequate change of mindset to the change in circumstances is what drives the economy forward.

All in all, the economy should rely on companies forming the GDP, the ones that create the budget income. They are the ones that have a fast adapting team of people that can lead towards rapid recovery from the World Economic Crisis. It is still lasting, maybe not as intense as it was, but we are still in the recovery process.

AmCham: What is your perception on the large number of companies filing for bankruptcy, or facing the problem of going bankrupt?

This is not an unfamiliar concept in the world today; it's not an unusual occurrence. It is common movement for the business, where only the strongest companies

The technology is changing, as well as the conditions in the world market, and therefore, it is inevitable that people need to work on changing their mindset. The mindset is not something given once for all, but should be continuously transformed and developed.

prevail. It's like a natural selection. However, the matter of managing risks, cash flows, profits, marketing products, is a question of management style, way of thinking and applied know how.

AmCham: Is closing a company a signal for unsuccessful people?

My personal view and belief is to look at people with human characteristics. I do not tend to classify them in any given moment, and especially not as successful and unsuccessful. People are people; the important is to have high ethic and business standards, and to know how to help other people. I make no distinction to very successful or completely unsuccessful, regardless of individuals or managers. It is normal for ups and downs to take place where sometimes companies go bankrupt simply because of bad luck, others may make wrong investments, positioning and cash flow management, but this does not mean that if the company goes bankrupt, there won't be a recovery in any other area. Opportunities are always out there, but we need to search more for future opportunities.

AmCham: Do you think that there's a tolerance in Macedonia for business failure?

Foremost, I have to say that I have a broader view towards this concept. I have no prejudice, and do not judge it. However different stands are present depending on the perception angle and whether people see things in a holistic way. If things are seen in a more complete way, other people's failure should not be judged, as there is always a possibility that the situation could change, along with opportunities in different fields. If a company lacks success in one area, this does not necessarily means that it will lack in another. The most important things are a strong will and devotion, and then results are inevitable. Technology now is highly developed, but the essence of growth and development are the people. Those are the ones that drive progress. Not only business itself and our customers and consumers, but employees should create an important part of our focus. Companies are differentiated for their people, not their assets. If you have a company with loyal, flexible, well educated and dedicated people, who give their utmost, along and with good management, success will come along.

AmCham: What is your impression; is there a progress in the entrepreneurial climate and culture?

At this time entrepreneurship is in its initial stage of development. Progress presence is evident, but there is still room for improvement. I reckon that small companies can offer a lot; however, sharing practices and experience learning from large companies can contribute greatly.

AmCham: Mrs. Popovska, you've been recently elected a member of the AmCham Board of Directors; what will your personal endeavor be?

I am first a human being, and then a manager. What I appreciate most is the knowledge I have gained during the past 20 years, both from my superiors as well as colleagues. The knowledge I have gained needs to be shared with the people around me. Hence, I would like to give support and allow people in AmCham to feel free in expressing their opinions and assist the extended business community in introducing new world trends. AmCham has been doing this well. It's great that AmCham and the U.S. Embassy in Macedonia are constantly trying to introduce new ideas and knowledge, new to our environment, and I am very happy to be part of this team. Our mutual goal should be to raise awareness of our future objectives and goals, by improving the way of thinking and investing in a better future, future for the generations to come. I honestly believe this is essential for the economy, and those that possess the necessary critical knowledge and thinking should take active part and contribute more to the economy. We have all invested in ourselves, in our knowledge, but not only for our own interests, but also to share that knowledge with the others within the community we live in. It's all about sharing knowledge, successes and failures. Sharing knowledge and experience should be a common thread in everything we do, as it is in the developed countries. The investments will always remain an important part, but they require strong human potential. I believe that we in AmCham should also continue with this strategy with regards to the work force, and eventually find ways to increase the level of human potential in this country, along with the level of philanthropy awareness, corporate social responsibility, helping others and ultimately create community we would all be proud to live in.

The success is a result of a lot of invested effort, knowledge and experience of a team of a highly motivated and competent people, well trained, respected and awarded.

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Interview with Elena Naumovska, Financial Manager of YES Foundation

The failure rate of startup businesses in the Incubator is only 10%

The business Incubator of YES Foundation in Skopje is one of the few places where young entrepreneurs, willing to transform their ideas into startup businesses, can find shelter and support. What immediately catches your attention are the small offices of the entrepreneurs, including the table tennis table by the entrance to the building, all beaming with positive energy. Hundreds of business ideas circulate in the Foundation every year, hundreds participate in the competitions for best business plans, and a dozen of small companies are already working on innovative products and services, fighting for their place on the market. But something that both this place and its people lack is bigger confidence from financiers. However, according to Elena Naumovska, Financial Manager of the Foundation, this will be changed, once the country revitalizes the spirit of entrepreneurship and innovative businesses.

: **AmCham:** The PSM Foundation is one of the few organizations in Macedonia aiming towards startup businesses and the development of entrepreneurship; can you describe your support of new business ideas?

The PSM Foundation, whose main activity is stimulating entrepreneurship among young people in the country, directly supports startup businesses. Generally, these businesses receive very little attention, because as the name says in itself, they are in their initial phase, when they are most vulnerable and face a big risk to their existence in the first years. But, PSM, as a Business Incubator, helps all young people who take first steps in running a business. Our support consists of providing consultations, mentorship, office spaces at preferential, bellow commercial, rents, networking, connecting companies with potential clients and partners, business and soft skills education, as well as constant company promotion. Seeing that the PSM Incubator is an IT Incubator, supporting businesses in the area of



information and communication technologies, we are dealing with service-oriented companies, which only need a single office space. The Incubator has 20 offices, of which 18 are constantly occupied by companies. What is interesting is that, while all of them belong to the same sector, they do not act as competitors, but as coworkers, and the atmosphere surrounding their work, as well as the everyday communication with other companies, with which they share experiences and problems, plays an important role.

Apart from the Business Incubator, as an activity, the PSM Foundation works on raising entrepreneurial awareness. For this reason, it has been organizing the Global Entrepreneurship Week in Macedonia for 4 consecutive years (www.gew.com.mk), a leading world event celebrating entrepreneurship. This event takes place in more than 80 countries worldwide at the same time, and Macedonia has been a part of that global family for 4 years. Last year, more than 50 events took place in several cities in Macedonia, and more than 12 000 people attended them. The events were organized with the help of universities, high schools, NGOs, the business sector, as well as the government institutions, so that they help in raising awareness and motivating young people in Macedonia to start their own business, and informing the general public about the importance of entrepreneurship in the development of the economy.

: **AmCham:** You are constantly dealing with young entrepreneurs. What is your impression, is the entrepreneurship culture progressing?

The entrepreneurship culture is progressing. Even though 20 years have passed since the previous sys-

tem, the mentality concerning lifelong employment and steady job cannot be easily changed. But, things are gradually changing, and PSM works in the direction of stimulating young people to start their own business, and instead of seeking employment, they are the ones who should create workplaces, not only for themselves, but for other young people as well. However, they need the support that will make them feel safe in these turbulent times.

⋮ **AmCham:** Which of the sectors attract the most attention for startup businesses?

As an ICT Business Incubator, PSM Incubator has been gaining experience with businesses in this sector, or sectors compatible with this one. The direction is specific, so we can say that this sector really attracts attention. But generally, service-oriented businesses attract more attention, because of the significantly lower investments required to start them.

⋮ **AmCham:** How many of the new businesses originate from the PSM Foundation?

The PSM Foundation has been founded in 2007, and our four-year project has supported over 50 businesses. These businesses have been directly involved in creating over 120 workplaces, and according to the multiplier effect, for every new workplace in the community, 3-4 additional workplaces are created. Besides the members of the Incubator who have been physically present at the premises, there are also "virtual members", who use all the services of the Incubator, but have office spaces elsewhere.

The mentality concerning lifelong employment and steady job cannot be easily changed.

⋮ **AmCham:** What is the percentage of the startup businesses that manage to succeed, and to those which fail, in terms of starting a business from scratch?

Starting a business in any country is risky. After five years, there's a 40% possibility that the business is still running, and Macedonia is not an exception in this rule, but those who start their businesses in business incubators have a much bigger chance to succeed. Statistics worldwide show that the percentage of "survived" companies is much bigger, while the

percentage of closed companies in their first years of existence in the PSM Incubator is only 10%. The reasons behind the closing of a company are not always considered a failure; there are some other reasons behind it as well, such as moving abroad etc. The general opinion is that in order to start a business, you don't only need finances, but many other things as well: persistence, contacts, knowledge upgrade, believing in what you do etc... That's why the support from institutions, society and family is essential.

⋮ **AmCham:** What do you think; do entrepreneurs learn from their own failures or mistakes?

There is a very low tolerance for failures and mistakes in business. This means that if someone starts a business, and fails, that someone usually gives up and never tries again. This is evident not only in Macedonia, but in Europe as well. The same cannot be said about USA, where the tolerance is much higher, and the majority of people who don't succeed, try again. There are these so-called "serial entrepreneurs", who start one business after another, not taking the possible success or failure into consideration. PSM has also had some experiences with entrepreneurs who failed, but decided to try again and didn't give up. Persistence is one of the key characteristics of a successful entrepreneur.

⋮ **AmCham:** You say that it's inevitable that some entrepreneurs face failure, but do you think that Macedonia supports the innovative approaches, even if they fail in the end, and is there a tolerance for business failures, or are they stigmatized?

Unfortunately, innovations are not being supported sufficiently. Innovative businesses should have a constant access to finances, which is the biggest problem startup companies face, or opportunities to be presented in front of potential investors. PSM does its best to present the innovative companies in the Incubator with such opportunities, and some companies, by using the PSM network, succeeded in presenting themselves abroad, in front of business angels. However, those informal sources of finance are interested in fast-developing and innovative industries. There is a certain tolerance for failure, but the entrepreneurs who failed feel strong disappointment, and give up. One cannot say they are stigmatized, but they don't receive the necessary support from appropriate institutions and the business community in general, so they don't dare to try again.



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Business Failure – An unspoken truth

Failure is rarely acceptable

Societies which are more tolerant to uncertainty have less problems accepting failure, while appreciating the effort itself to try something new

“We are a successful company and do not want to be related to any failure in public.” This is the answer we received from one respectable company, after our appeal to discuss the attitude towards business failures in Macedonia and the eventual positive experience that comes out of them. Another, chicken processing company, considered one of the more prosperous companies, with modern technology and staff, ended its production last month, after 10 years of existence. It has been several months since we’ve last seen its fresh chicken in the fridges in supermarkets, although it was considered the only competition on the domestic market to powerful companies that come from former Yugoslavia. And yet, its owner bluntly refused to declare his business as a failure to the media. He is still hoping that he will find a foreign partner to help him repay the company’s debts and restart production. The lack of financial support, expensive loans and the inadequate protection of domestic production by the state are considered as the main reasons behind the closure.

These two examples clearly show that businessmen do not feel comfortable talking about business failure, no matter whether they are miles away from it, or staring in the face of it. That’s probably one of the reasons for this month’s conference on the topic of “Encouraging entrepreneur optimism by sharing successful stories of Macedonian entrepreneurs”, organized by Skopje Marketing and PR agency Buzz Communication. The Minister for Economy, Valon Saraqini, stated at the conference that increasing the number of entrepreneurs would enable economic growth and new workplaces. However, aside from the fact that this will enable access to riskier and more favorable loans, it will also force focus on the change of mental behavior that will be less risk averse. And yet, it seems that Macedonian businessmen do need the skills to deal with failures. On the website of the Central Register of the Republic of Macedonia, 22 of the last 100 announcements are for bankruptcy proceedings, liquidations and erasing companies from the Register. According to the data available, only during the first 6 months in 2010, 180 companies were closed down in Macedonia, which is an increase of enormous 120%, compared to the same period last year.

We want to play safe

Ninko Kostovski, a management professor at the University American College in Skopje, is a fitting choice to discuss this issue. He has worked as a bank clerk, in the textile magnate “Teteks”, and has also had his own art gallery and fast-food restaurant, which have been closed down, following this he became a business consultant. This has given him the opportunity to go to the U.S, where he received his PhD, and today he is working as a professor, as well as a business consultant to large and small companies.

“In 2005, I faced bankruptcy and it definitely brought consequences. Depression, fear, lack of self-esteem, but now, in hindsight, it opened up new opportunities. I wouldn’t have become a business consultant, I wouldn’t have gone to the U.S. to obtain my PhD, to become a professor, and I would have remained a bank clerk. One must always look on the positive side of any failure,” says Kostovski.

He says that this country has low tolerance for business failure, something which is related to the dominant culture in our society. He shares the opinion of some theoreticians that societies which are more tolerant to uncertainty have less problems accepting

failure, while appreciating the effort itself to try something new.

"We are considered people who try to avoid uncertainty, or generally want to know everything in advance. My students also want a precisely defined assignment, but that is rarely the case in life. In this culture, people who have no experience as entrepreneurs usually have no understanding of people who tried as businessmen and failed. Everything is extremely uncertain in business. There are no written rules if someone will succeed or fail. For example, the American society has high tolerance for uncertainty, and in order to have creativity and innovations, that tolerance should be treated. Such societies are more tolerant to business failures, and even encourage them."

Kostovski believes it's best to learn from our own mistakes, however, this approach may leave a scar on entrepreneurs. Besides the painfully learnt lesson, failure often takes away their courage to try something new, or in Kostovski's words, "It blunts the blade."

Dimitar Osmanli, the Executive Director of M6 Educational Center, an institution dealing with organizing leadership events for the corporate sector in Macedonia and the region, also shares a similar opinion. He claims that sometimes it's fine to make mistakes and learn from them, but the question which always remains is the price one must pay for those mistakes.

"My personal opinion is that I am among those people who encourage the possibility of making a mistake and learning a lesson from it, but I also think that in Macedonia, there is a lack of entrepreneurial spirit. This spirit always brings risks with it, so it's normal for mistakes to occur. To learn from these mistakes is the most expensive way, but also the best. I am talking from my own experience. I haven't been a part of an industry where mistakes cost dearly and can result in death cases, but I can understand the more rigid attitude of those entrepreneurs. But if we don't learn from our mistakes, we won't improve, without taking calculated risks," says Osmanli.

Both interviewees state that it's best for entrepreneurs to avoid failures by advance training, and by also including the missing factor: instead of remaining silent, to talk and share negative business experiences, so that others can learn from them. However,

Osmanli is not enthusiastic as to how much small and medium size enterprises are willing to expand their knowledge.



"If you take into consideration all the companies that managed to survive the transition in these last 20 years and carry on, one thing they all have in common is the attitude towards learning and the ability to adapt to new challenges. And yet, many of the companies in Macedonia have a serious problem with the very same attitude towards learning. The successful designation of companies, in order to be adaptable, usually begins from the top of the company itself... I think that it's the most expensive way to learn from your own mistakes, and the main problem with small companies is that they don't even do it. As a training institution, we can see that we are mostly cooperating with powerful companies, because SMEs are so limited and dedicated to basic things, that they completely miss most of the possibilities to learn. However, there are exceptions, and companies that have started from scratch and developed by following textbook examples, but in reality, most of the companies survive day by day, with low margins and without innovations."

A Need for Drastic Change of Concepts

According to Kostovski, one of the main advantages of being a manager today is the readiness to experiment. This readiness asks for freedom of initiative, learning in enterprises and eagerness to constantly attack, and even sacrifice personal concepts.

"They cannibalize the previous product. For example, iPhone 5 is about to be introduced, while iPhone 4 is still the best sold smart phone of its generation. This means that they are ready to sacrifice their best product, only to remain ahead of the competition. In order to keep the lead in a race, you must constantly switch to a new horse, and the only way to find new horses is by riding many of them."

This is his graphic example of how domestic companies should behave. However, he says that only a small number of them follow the example. Among the several problems mentioned as reasons for the low adaptability of domestic companies, Kostovski underlines the rare situations in which the founders of the companies are prepared to allow bigger independence of the employees after 7-8 years of work, by giving them obligations, or opportunities for decision-making. Osmanli also locates part of the problems in medium and high management, and the rigid centralization of the majority of companies.

"Isaak Adizes' idea is to identify the company's life cycle in man's life cycle. Many of our companies are unfortunately "sentenced to death" because of the inability to adapt and renew the life circle. A decision for such a change needs to come from the top management; it depends on them whether they want to invest in training their staff, their middle and top level management. Firstly, we need to see the number of companies which have real Human Resource Departments that deal with the staff development through training that will help decrease potential errors at work, and secondly, if an error has been made, whether or not it will serve as a case study for the future," says Osmanli.

In his opinion, one of the parameters for the success of a culture is the so-called "power distance", or the relations between the employees and their superiors in companies. He explains that those relations are more horizontal in the Anglo-Saxon culture, so they are more collegial, but in cultures such as ours, they are mostly vertical.

"You receive your orders and have no time to think, or talk to your superior as a colleague, he simply gives you orders, and you do the work. This relation must be changed, and the change must start from the top. If we want to learn from our mistakes, we must also share responsibilities. If the power distance is great, then the boss takes all the responsibility. However, we must work on changing the awareness of the top

management, as well as of the "ordinary" employees, who often find it best not to take any of the responsibilities and simply work on fulfilling orders only, as it prevents them from being responsible in the case of a mistake. Such mentality often influences creativity, innovations and entrepreneurial spirit in our area. People ask for approval from their boss for even the simplest of tasks. We should educate the work force to be strong enough to cope with the challenges," says Osmanli.

He turns the basic question of how to deal with business failures upside down. Dimitar thinks that the main point is whether the companies have managers who are willing and courageous enough to try and do something, in order to make a mistake and learn from it.

"My main focus would be on a company becoming more courageous and improving, conquering new markets, while making the occasional mistake. Business is barely sustainable if it doesn't expand from this market. The majority of companies, small and medium, must learn that they have to fight for the external markets as well," according to Osmanli.

Kostovski thinks that we should dig even deeper in the educational system, so as to encourage the entrepreneurial spirit and change the mentality that we should avoid bankruptcy or failures in business.

"The 21st century introduces a whole new situation in that aspect. We, the educators of entrepreneurs and management, have to drastically revise many opinions and concepts. I used to work 12 years in the classical economy in "Teteks", where failure was acceptable, but only if 1 of 10 concepts hadn't worked. Today, however, in software companies, 99% of the attempts are unsuccessful, so if you let that influence you emotionally and consider yourself a failure, you're doomed. The world and industry of today are different, so why stigmatize someone if we don't know if he or she will succeed from the first or second attempt, or won't succeed at all. If we change our attitude towards uncertainty, we will automatically change the opinion about people who have tried something new, but failed," concludes Kostovski.

... But if we don't learn from our mistakes, we won't improve, without taking calculated risks," says Osmanli.

Interview with Jovan Janakievski, owner of 'Vegeera' chain of bakeries

We have to get used to bankruptcies

The smell of freshly baked bread and pastries for breakfast every morning attracts thousands of employees in Skopje. Scores of people come to the dozens of bakeries in the city center during their break for traditional Macedonian fast food - *burek* (a type of pie with cheese, meat, or spinach) with yogurt or a combination of pastries. Companies in the bakery industry have proven to be the most agile in upgrading their brands by continually adding and changing their products keeping in mind that this is one of the industries in which one can see really strong and steady competition. In the past few years, several large chains of bakeries have emerged which, together with dozens of individual family firms, according to calculations, are competing for a part of the annual cake of about 20 million. Of the most widely spread and booming chains is the company "Vegeera". The rapid expansion of the brand which owns 10 bakeries and 3 franchise stores in Skopje with almost 100 employees, made us interested in the its owner's, Jovan Janakievski, attitude towards business failure. He says in resignation that this is a difficult period when mistakes are highly undesirable, and bankruptcies of firms are something we will hear of more often and will have to get used to.

Janakievski: In the business there were some rules, I am now talking about the period up to the first half of 1998. Now we think of that period as "the time when God walked the earth." But already by October 2008, we had a completely new world, completely new conditions, brand new support in terms of banks, money, turnover. The previous liberal policy of banks made companies and the population become overindebted because when times are good people tend to think of even better times and vice versa, when it is as bad as today we think of even worse. We now have a brand new operating environment, I always say that if someone had told me that such a scenario would occur I would not have believed them. We all made the mistake of approaching the economic crisis as something that would last 6 months or 8 months or 1 year, but no, it has already

been 3 years now. With the latest announcements coming from the International Monetary Fund (IMF), an even stronger wave of economic crisis is expected to come. Specifically in our country, which is perhaps outside the mainstream, because we don't have an export-oriented economy or an economy that would shake up the whole world, but we are strongly affected by the growth in prices, when you take a look at the input prices that make up the product they have all gone up 50 to 70 percent without the possibility for you to include that in the final price. There is no more business here because people have low wages and a low standard of living, and if make customers angry with high prices then we will really be in a crisis. So, believe me, the whole situation leaves little room for error. When you ask bankers how to behave, they recommend not to buy anything, even if you only need nail to hammer it in. All they talk about is frugality, passivity, non-investment, but that's not good.

AmCham: How many years have you been involved in the same business, did you do anything earlier? Have you ever had any difficult moments in your business, downfalls, failures?

Janakievski: The difficult moments are the ones we're experiencing right now. We had the misfortune of making large investments 6 months to 1 year before the start of the economic crisis. When the plan was made we did not anticipate this would happen to us. Let's say you were lucky if one of your development cycles had ended just then. You purchased property or built a new plant and your last installment was due in 2008, now that's luck. You can imagine what a misfortune it is when out of 60 installments already your fifth installment starts during an economic crisis, that's dramatic. It is no coincidence that when you go around town that you see hundreds of notices reading "for rent" and "for sale". There was a time when you were required to pay the



company that was in that building to leave the facility for you to go in. Now that time has gone.

AmCham: Will you emerge out of this whole crisis with some lessons for the future?

Janakievski: No matter how long you do business you cannot predict such lessons, and you can't think about them tomorrow because that would be defeatist. Imagine if tomorrow everything returns to the way it was before all and all is well, and you do not take any steps thinking that another crisis would come. Crisis, bankruptcy, defaults are a reality throughout the world. Some businesses go bankrupt 5 times and the sixth time they stand on their feet. So it's nothing terrible, it's just us making things more dramatic as if the whole world has come to an end.

AmCham: Do you give your managers greater freedom to decide and even make a mistake?

Janakievski: Yes, yes, of course. These people are where they are as a reward for their previous work and knowledge. But from time to time you also need to be strict with people, employees, managers, since they can reduce criteria on their own, not as it is required, and that's not good. We are a classical private company, one hundred percent of the capital is owned by one person. Major, strategic decisions are made by one person, and managers are allowed to participate in the development and make decisions that will be good for the company, everything can be accepted.

AmCham: Does "Vegea" have some system of analysis and review of its operations and of the mistakes made?

Janakievski: Generally speaking yes but you know, when a company goes forward such analyses are much more optimistic and there is much greater freedom. When there are problems there's stagnation and then you do analyses where it's necessary as well as where it's not. You're hunting witches in your business, but of course you can't turn people into robots. After all, there should be freedom and creativity should not be stifled.

AmCham: Have you ever experienced a bankruptcy in your career?

Janakievski: No, not yet, but you never know. I know a baker in Belgrade who is of Macedonian origin, he owns one of the largest bakeries in town and I know that he's had about 6 bankruptcies in his career and yet he always managed to rise up again. You now see it has become possible for entire countries

to default, let alone companies. I think we will have to get used to it. A few days ago a well known Macedonian poultry company ceased production and went bankrupt. It was a good company, but sometimes there are objective factors that do not allow you to continue.

AmCham: What is your impression, are business failures stigmatized in Macedonia?

Janakievski: When I was a child, if somebody's parents were said to be getting a divorce that was considered very strange and unusual. Today it is strange if somebody's not divorced. In business terms, the same thing will happen to bankruptcy. Sometimes when companies are unable to sustain their current situation and conditions, they deliberately go into default in order to start anew. One should not have too much of a negative attitude; what is more important is the core idea, the business potential some people have, rather than the capital. In business, the psychological structure of the person in charge is more important. Sure, business failure is not easy. It's a shipwreck, but we should accept it as part of reality.

AmCham: Competition is very strong in your industry. Does it make you be more active, take care not to make mistakes, or to convert errors into an advantage?

Janakievski: We are quite an advanced country in terms of the bakery industry, there is healthy competition and the country has a long baking history. I think there are over a hundred bakery companies in the country. Consumers have criteria about what is good. Such a competition, I think, helps promote quality although in the last few years the conditions have been pretty tough. However it keeps us constantly on our toes forcing us to be ever prepared for rapid change, which in turn has been bringing us offers to expand our business in neighboring countries like Bulgaria and the Montenegrin coast, which for us is certainly a compliment. We have to put an end to the crisis once and for all, but I think at the present moment the situation is very delicate and that currently there are no conditions for that.

I know a baker in Belgrade of Macedonian origin who owns one of the largest bakeries in the city, and I know that he has had about 6 bankruptcies in his career and yet has always managed to rise up again.

Interview with **Ljupco Veleski**, Manager in the Export Department of Vitaminka - Prilep



Ljupco Veleski is a Manager in the Export Department of Vitaminka - Prilep and has a Masters degree in International Economics and Business. Vitaminka has been an AmCham member since 2005, and a Patron member in the last couple of years. Ljupco Veleski is an active participant in the activities of our Chamber. Bearing in mind that Vitaminka has been exporting its products to the U.S. market for a number of years, Mr. Veleski is considered to be one of the most knowledgeable people of this market in terms of food product exports, both from a commercial point of view, but also from the knowledge in FDA (food and drug administration) regulations. The reason for this interview is his recently published book "How to succeed in the world of global retail" published by "Target books".

Mr. Veleski, could you please give us some information on Vitaminka's market position and its latest activities?

New things always happen in Vitaminka, new markets are being open, we enter new distribution channels, we continuously expand our portfolio with new products. We have a significant increase in the placement on the domestic market this year and even more so in the export markets. We will end the year with a sales increase in double digits, both in terms of quantity and in terms of revenue. We anticipate that this increase will continue next year as well, as we are finalizing negotiations with several European retail groups.

Vitaminka has developed trade relations with U.S. partners for many years, and your products can be purchased almost everywhere in the U.S.

Yes, the U.S. market is our biggest export market, after the markets of the ex-Yu countries. We cooperate with several importers in the U.S. I have been working in the U.S. market for 12 – 13 years and I believe I am very familiar with it, especially the ethnic segment which is mainly concentrated on the East Coast and the Midwest. Our products, as well as the products of most producers from this region, are mainly

sold in ethnic stores. The market is very large, but quite limited, as large retail systems which are most developed in the U.S. take over the consumers. Our signature product on the U.S. market is Stobi Flips, this product is on the shelves from Florida to Alaska; we are also recognizable by our soups, our Vitakrem. An interesting fact is that our Atlantis chocolates are being sold by Macy's for several years now. It is extremely important to be familiar with the FDA regulations concerning import of food production into the U.S. These regulations are quite different from the EU regulations concerning food imports. Usually, FDA is a frontrunner for new ideas (GMO, Health food, BIO organic products, limitations on certain components, and similar things); a few years later these start being implemented in Europe

I have been working in the U.S. market for 12 – 13 years and I believe I am very familiar with it, especially the ethnic segment which is mainly concentrated on the East Coast and the Midwest.

as well. Simply put, this market is very interesting for us, not only because of the sales, but because we can learn a lot from it in terms of retail, FMCG, marketing, sales trends etc.

You participated in the Trade Mission to the U.S. AmCham organized in July, at the same time exhibiting your products at the specialist food fair Summer Fancy Food Show in Washington DC.

This was our third participation at a fair in the U.S, after the fairs in New York and Chicago. Fancy Food Show is the biggest fair in the U.S. showcasing mainly European fine foods. We have good results from the participation at the fair as we managed to place a few new products on the U.S. market from our biscuit line; these are the whole wheat biscuits and Jaffa soft biscuits.

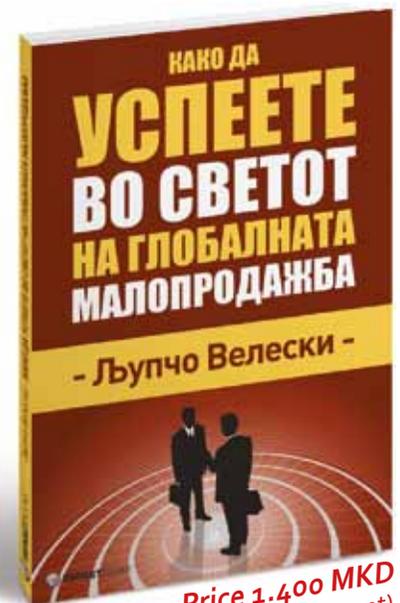
What is your opinion of the activities offered by AmCham Macedonia, being one of its most proactive members?

Apart from the main Economic Chamber of Macedonia, Vitaminka is a member in several foreign chambers of commerce represented in Macedonia. Speaking truthfully in my opinion AmCham is the most active Chamber communicating with its members in the best way and always responding to requests and needs of its members, something which is not an easy task as AmCham members

come from a variety of industry sectors. I would like to especially commend the activities of AmCham Macedonia's Executive Director - Sonja McGurk, whose approach and readiness to cooperate contribute greatly to such a high regard for the Chamber. I should also highlight the connection AmCham offers with the representatives of the U.S. Embassy in Macedonia, something which is of exceptional importance to us.

At the end, can you please tell us something about your new book "How to succeed in the world of global retail"?

The book is a result of connecting theory with best practices regarding placing fast moving consumer goods on the global market. It details internationalization, exports and best ways to maximize it, it talks about the structure of modern retail, the way it functions, its form, its biggest players. It also presents the nature of the fast moving consumer goods, their classification, brands, and the latest trends. At the end, it offers the Unique selling proposition as a critical marketing principle and a powerful weapon used by the company to create its uniqueness and distinction and provides a determining advantage when there is a hyper production of fast moving consumer goods and "tyranny of supply". In Macedonia and wider, there are only a handful of books on this topic and I am convinced that this book will assist, to a large extent, Macedonian companies to get more efficient in approaching the global market. The book "How to succeed in the world of global retail" is published by "Target books" – they also publish a monthly specialized magazine dedicated to the fast moving consumer goods called "Target" and were extremely enthusiastic to assist in the publishing of this book.



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Innovation, intellectual property, and technology transfer in Macedonia: mission (im)possible?

Mirjana Stankovic and Bratislav Stankovic,
University American College Skopje

Acquiring and transferring technology, as a core component of the triple helix innovation system, can be difficult for a small developing country such as the Republic of Macedonia. As a general rule, unsuccessful technology transfer policies in developing countries might come as a result of: (i) lack of supply of and demand for qualified human resources (social and human capital); (ii) problems associated with the knowledge base (research capacity); (iii) problems associated with the ability to innovate (technology and innovation performance); and (iv) problems associated with the capacity of markets to absorb and diffuse innovations (absorptive capacity).

Macedonia is experiencing constraints in relation to science, technology and innovation policies, similar to those of other South Eastern European countries since gaining independence. The country needs a holistic approach to research and development issues and human capital creation, in order to align its scientific and research target policies with the ones stipulated in the EU's Lisbon strategy 2020

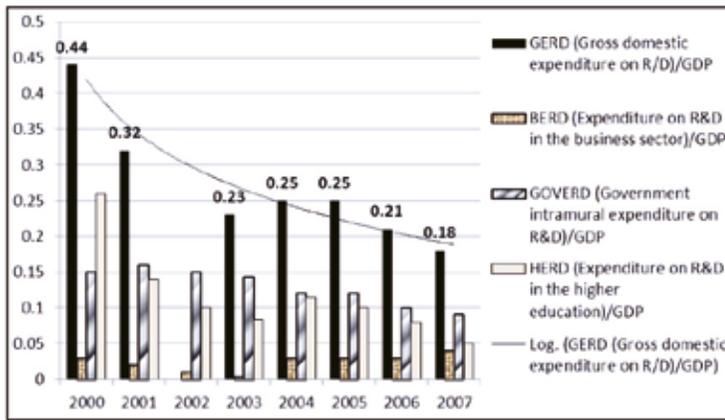
(augmenting the R&D part in the nation's GDP up to 3%).

A study conducted by the Ss. Cyril and Methodius University Business Start-up Centre, Skopje, Macedonia shows that the R&D share in the Macedonian GDP in 2003 was 0.22 %, compared to Serbia's 0.32 %, Bulgaria's 0.5 % and Croatia's 1.10 %. Since 2003, although in the neighbouring countries this percentage has been constantly increasing, Macedonia has experienced a downward trend. As shown in Table 1 and Graph 2, the Macedonian R&D expenditures in 2003 primarily came from either the higher education (37%) or the governmental sector (67%), with only pitiful 1% coming from the business sector, compared to the EU practice where the business sector participates with approximately 65.3%. In order to further strengthen the argument, we take the Macedonian biotech sector, a high tech segment of the innovation system, as an example. In the year of 2007 there were only 17 biotechnology research projects (12 in the applied research sector and 5 in the

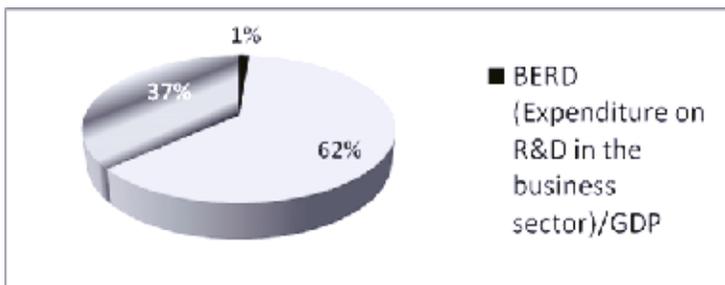
Table 1: R&D Expenditures by Type

Type of R&D Expenditure	2000	2001	2002	2003	2004	2005	2006	2007
GERD (Gross domestic expenditure on R/D)/GDP	0.44	0.32	0.26	0.23	0.25	0.25	0.21	0.18
BERD (Expenditure on R&D in the business sector)/GDP	0.03	0.02	0.01	0.003	0.03	0.03	0.03	0.04
GOVERD (Government intramural expenditure on R&D)/GDP	0.15	0.16	0.15	0.143	0.12	0.12	0.10	0.09
HERD (Expenditure on R&D in the higher education)/GDP	0.26	0.14	0.10	0.084	0.115	0.10	0.08	0.05

Source: ERAWATCH Research Report for the FYROM, European Commission, 2010



Graph 1: R&D Expenditures by Type. Source: ERAWATCH Research Report for the FYROM, European Commission, 2010



Graph 2: R&D Expenditures by Type, year 2003. Source: ERAWATCH Research Report for the FYROM, European Commission, 2010

basic research sector) out of 185 in total in the Republic of Macedonia. All of them were funded by state ministries and agencies (15 by the Ministry of Education and Science and 2 by other state agencies).

These observations are supported furthermore by our survey results. The survey “Technology Transfer in the Republic of Macedonia” was conducted online, via a software platform Qualtrix. It covered 50 high-tech, domestic and foreign owned firms in Macedonia. It researched the perception of the firms’ managers of the technology transfer climate in Macedonia.

Interestingly, the survey results show that 31% of the surveyed managers answered that their firm has never been involved in technology transfer. Moreover, almost 52% of the survey respondents, who claimed that their firm participated in technology transfer, answered that the technology was transferred by another entity. Out of those, 100% answered that the transferring entity was a foreign firm. Thus, there is no mention of technology transfer from universities, governmental institutes or other domestic firms. This situation is indicative of the low research culture within the Macedonian business community. It seems that the Macedonian firms’ managers perceive the option of technology transfer from a foreign firm as the sole option

available. Hence, it will be very difficult for the public policy stakeholders in the research and scientific area to put the triple helix innovation model on the agenda and entice the private sector to stimulate its own R&D involvements.

Another interesting issue to analyze is the fact that the survey respondents give relatively high credibility to the legal framework pertaining to technology transfer (59.26%) when compared to the institutional framework (33.33%), and to the existing financing opportunities (29.36%). The public policy stakeholders should bear this in mind when crafting adequate mechanisms for implementation of the triple helix innovation model in Macedonia.

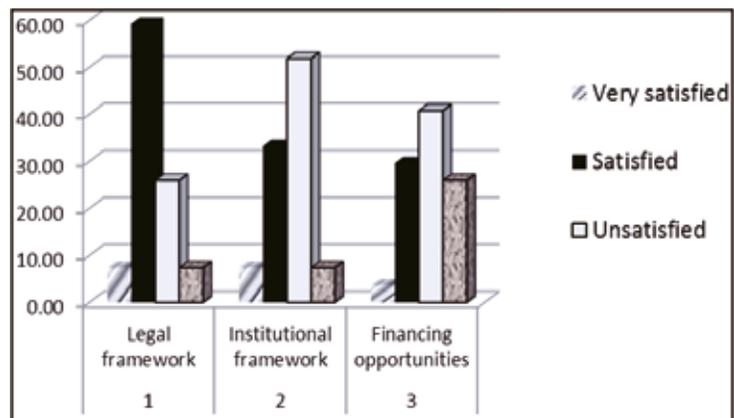
A large number of survey respondents (92.59%) believe that the state should make bigger budgetary allotments to the R&D endeavors undertaken by the business sector. Moreover, high is the number of respondents (81.48%) who claim that the state does not support public private partnerships. Thus, the business sector representatives clearly observe and acknowledge the nonexistence of the link between the state and the business sector in the innovation model of Macedonia. This is also the case when asked about their perception of the role of the Macedonian academia in generating and sustaining the innovation process wheel. Most of the respondents agreed that there is a need for establishing technology transfer offices under the auspices of the Macedonian universities, which will serve as an initial block of the Macedonian triple helix innovation platform. Yet, much remains to be done in the area of raising the general awareness, and more specifically the awareness of certain groups of stakeholders, in order to reach the stage of triple helix innovation model III.

According to the World Economic Forum Global Competitiveness Report 2010-2011, Macedonia is considered to be in the efficiency driven stage of its economic development. Hence Macedonia has not reached yet the innovation

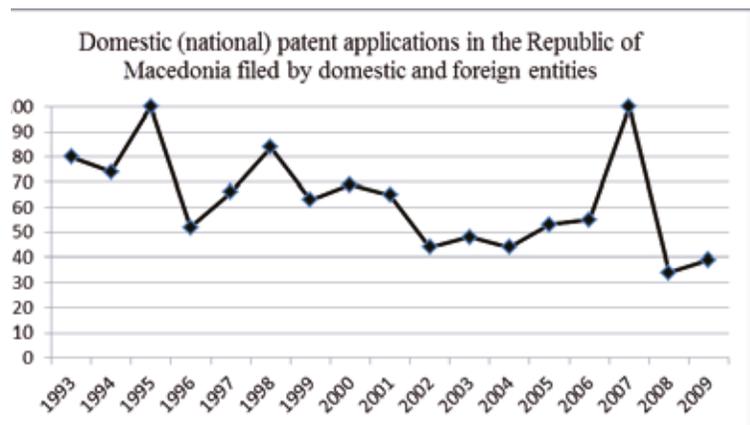
driven stage of the economic development. That stage of economic development is reserved for the highly developed, knowledge based societies. According to this Report, innovation is considered to be one of the main pillars of economic development. One way of measuring innovation would be through measuring the nation's ability to innovate. An acceptable method of doing this is through measurements of a nation's patent activity. Of special importance is the number of filed patent applications by domestic and foreign entities in Macedonia, because this is an indicator of the vitality of the country's innovation system. Even of greater analytical importance is the number of successful patent applications by domestic (Macedonian) entities submitted in front of the EPO (European Patent Office), the USPTO (United States Patent and Trademark Office) and the World Intellectual Property Organization (Patent Cooperation Treaty – PCT international patent applications).

As the data in Graph 4 show, Macedonia does poorly in the area of domestic patenting. There is a declining trend in domestically filed patent applications which we take as one of the main indicators of the present decay of the innovation system in Macedonia. Even more disappointing is the fact that in twenty years time span (since the 1991 independence) there are only two successful patent applications submitted by domestic entities filed with the USPTO. This serves as yet another evidence of the current atrocities of the Macedonian innovation system.

Thus the main question for innovation in Macedonia resonates: How to proceed from a point, that many believe, is the point of no return? How to establish an effective mechanism of collaboration between the academia, the business sector and the government? How to entice the formation of new innovative institutional hybrid forms that will represent a quantum leap in the innovation matrix of Macedonia?



Graph 3: Question: Please Evaluate your Experience in Technology Transfer in Macedonia According to the following Indicators. Source: Survey "Technology Transfer in the Republic of Macedonia"



Graph 4: Domestic (National) Patent Applications in the Republic of Macedonia filed by Domestic and Foreign Entities. Source: Own Calculations based on Figures Obtained from the Macedonian Industrial Property Bureau

This article will not provide definite answers, but will touch on certain anomalies of the Macedonian innovation system and, at the same time, will hopefully entice the much needed debate on the triple helix innovation system formation in Macedonia. We do believe that Macedonia has a lot to learn with respect to building sustainable triple helix innovation system from the developed countries. However, strict imitation of other countries' "triumphant" systems in this respect would be a short sighted solution from a public policy perspective. The Macedonian innovation system has its own peculiarities and these should be taken into account when crafting the national triple helix innovation platform. Devising its own innovation system, Macedonia should rely on the successful models developed by others, but not blindly.

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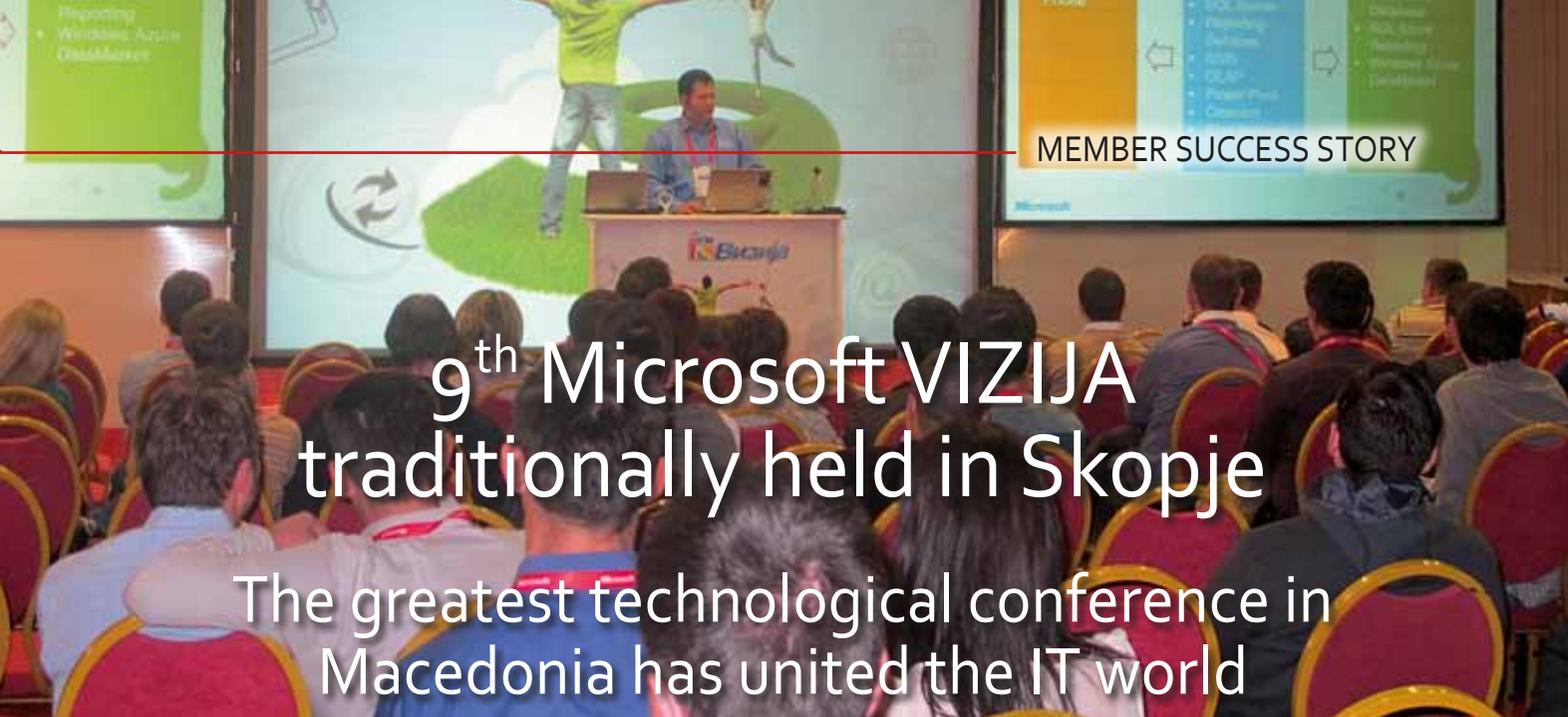
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9th Microsoft VIZIJA traditionally held in Skopje

The greatest technological conference in Macedonia has united the IT world

This year's **Microsoft VIZIJA** took place in Hotel Aleksandar Palace in Skopje. The biggest IT event in the Republic of Macedonia which was held on 20-21st October 2011, had its 9th anniversary, and traditionally has united the IT professionals, developers, business elite as well as all IT oriented enthusiasts.

"This year Vizija has its 9th anniversary. The Conference, as each year, will offer introduction to the technological world news, through 36 sessions in two days, offering the ability to create new relations and new opportunities for business cooperation. This year the emphasis will be on the concept of cloud computing and its implementation across the product portfolio in Microsoft, as well as the application of Microsoft technologies that have positive impact in preserving the environment – Green IT concept. For the second time we have Expo hall, where our partners have the opportunity to show their concepts, and the idea is to extend our excellent cooperation during Vizija 9, -said Ilijancho Gegovski, General Manager of Microsoft Macedonia.

During this year's Microsoft VIZIJA wide range of topics related to the latest technologies available in the market were covered in a number of sessions. The sessions took place in three different halls: green, blue and red hall, which held a series of sessions and lectures specific for different areas (security, applications, business, and communications). Large number of established domestic and foreign speakers, coming from the partner companies of the conference, from Microsoft customers, from clients and partner network companies,

holders of the prestigious title of Microsoft Most Valued Professionals (MVP), and Microsoft employees, took part at the conference and shared their extensive IT experience and expertise with the participants.

The focus point this year was on the existing and new technological solutions that enable the restructuring and consolidation of systems to users, more efficient use of the hardware and software resources through the application of virtualization, energy saving, reducing emissions of CO₂, building hybrid data centers – service and system in the cloud and in the local data centers. The visitors had a unique opportunity to learn about the latest manufacturing solutions and long-term strategies of Microsoft, and as well to exchange their own opinions and knowledge on the news from the world of technology.

As part of Vizija 9, was also held Microsoft Innovation Forum with subject Microsoft and Green IT aimed to show how the use of Microsoft technology enables reduction of power consumption, optimize resources and reduce emissions of carbon dioxide. Microsoft, as a socially responsible company, believes that IT technologies are a key tool that can help in dealing with environmental challenges facing the world today.

Traditionally, this event has remained the most important place in Macedonia for exchanging the technological information, which does not only host to true lovers of science and technology, but also all those who wish to apply learning in practice and get the best of it.

Business Mission to the U.S.



AmCham Macedonia organized its first Business Mission to the U.S. 3-11 July 2011. The timing was scheduled to give members an opportunity to visit the Fancy Food Show in Washington DC, where our patron member – Vitaminka – exhibited its products in cooperation with Fast-Pak Trading inc.

The Mission comprised of seven participants and included visits to New York and Washington DC. The participants met with food distributors in the New Jersey region as well, and visited suppliers and supermarkets stocking Macedonian products.

In Washington DC, apart from the participation at the Food Fair, the participants held meetings with Ms. Jennifer Brush, Director of the Office of South Central European Affairs and Ms. Lorraine Hariton, Special Representative for Commercial and Business Affairs with the U.S. State Department as well as Mr. Jay Burgess, Director Office for European Country Affairs with the U.S. Department of Commerce.

AmCham Macedonia will continue organizing such Missions to the U.S. in the future, concentrating in one business sector at a time. We hope the attached photos inspire you to join us next time!



11th General Assembly



Around 90 AmCham members attended AmCham Macedonia's 11th Annual General Assembly at the Hotel Aleksandar Palace in Skopje. The annual event featured a review of the Chamber's operations in the past year. Members also voted to elect 3 new board members. Members had an opportunity to meet the new U.S. Ambassador Paul D. Wohlers, as well as the U.S. Embassy's new Economic and Political Deputy Chief, Mr. Ryan Stoner.

Special Thanks to our Patron Members: Alkaloid AD Skopje, Komecijalna Banka AD Skopje, Microsoft, Okta AD Skopje, Pivara Skopje AD, Skopski Pazar AD Skopje, Makedonski Telekom AD Skopje and PI Vitaminka AD Prilep.

Congratulations to the 2011-2012 Board of Directors!



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NEW MEMBER HIGHLIGHT



YES Foundation has been working since 2005 as organization for stimulating entrepreneurship, innovation and creativity among young ICT people. Since its establishment, YES has incubated 45 startup companies and around 4000 young people attended different types of soft and business skills trainings. YES has implemented more than twenty projects in the area of youth entrepreneurship, business developments, SMEs, innovation and creativity funded by different international organizations such as USAID, Norwegian Ministry of Foreign Affairs, USAID, UNDP, GIZ RED, US Embassy in Skopje, SINTEF, SPARK.



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