

SERBIAN ENTERPRISES AND GLOBAL COMPETITION CHALLENGES

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New competitive conditions require new approaches in the area of an organization's management and competitiveness development. Standards and best practice are the road to excellence in the long run. Achieving competitive ability in the short run requires innovation, as well as the improvement of labour productivity and knowledge. The main factor underlying the new model of organization management is knowledge. The basic imperative of modern economy and crucial global competitive factor lay in continuous improvement of knowledge and work productivity. In order for Serbian enterprises to become competitive in international terms, a change in the ways of thinking and the adoption of contemporary world achievements in the field of organization management are necessary.

Keywords: management, competitiveness, innovation, productivity, knowledge

INTRODUCTION

Global competitiveness is becoming increasingly intensive, noticeable and offensive. The current moment of global economy can be marked by slow but sure rise of enterprises from newly industrialized countries, such as China, India, Brazil, South Africa, Turkey, etc. Enterprises from these countries are becoming global competitors. Their competitive ability is based on lower business costs, first of all because of lower labour costs, but also for their readiness to accept foreign investments and the most modern methods and management techniques. The main stimulus for these economies is increased domestic consumption as well as a numerous young population. The latter represents an advantage not only concerning education but everything else as well – as the income rises, people become more educated and they change their preferences.

The world economic crisis and its long lasting effects emphasize the need for permanent improvement of knowledge – in recent years only the best, no matter where they come from, can win. The winners are usually the companies which have performed optimization between the price and the quality on the grounds of reducing costs and permanent productivity increase by applying standardized QM concept and intensive

innovativeness. Chinese and Indian companies are such examples.

This implies the necessity for developing new business models aimed at establishing competitiveness on the global market. Rapid changes, short-lived advantage, disruptive technologies, revolution-bringing competitors, disturbed markets, omnipotent clients, rebellious shareholders – are all the 21st century challenges, putting the worldwide projected organisational constraints on test and bringing the management model flaws, unable to keep the pace with time, into spotlight (Hamel, 2009).

Modern business implies restructuring business functions. From a traditional concept, characterized by linear way of thinking in which all business functions had equal significance, companies have to turn towards proactive thinking which implies understanding and creating the changes as well as giving the preference to those business functions that enable the companies to achieve, keep and improve their competitive position on the global market.

According to the wide-spread opinion, full advantage of global economy must be followed by full commitment to innovations. Companies must turn to innovations as never before (Ohmae, 2007).

ANALYSIS OF COMPETITIVE CONDITIONS ON THE GLOBAL MARKET

Elementary features of the modern society are creating and distributing information. Therefore, organizational management is becoming the process of information management. Starting from the assumption that information represents sublimated knowledge on the move, knowledge becomes the basic pillar of the new society. There have been considerable changes on the organizational level. Tissen, Andriessen and Depres (2006) think that the new logics of an organization is in the following:

- dynamics, readiness to study;
- information abundance;
- globalism;
- small and big;
- orientation towards products/customers;
- orientation towards skills;
- team work;
- orientation towards inclusion;
- lateral, network;
- orientation towards buyers.

Knowledge is becoming a product and corporate intellectual ownership is more valuable even than physical resources today. Modern organization must create knowledge but it must increase the value as well. The challenges which follow establishing, keeping and developing competitive abilities on the global market are much greater today than 20 years ago. The following reasons are considered to be crucial:

- New companies are mostly based on services;
- New companies are mostly from the field of knowledge economy;
- The change of techno-economic paradigm causes considerable changes;
- The number of allowed mistakes is far smaller than before;
- The new paradigm is, in great extent, in the phase of pre-standardization, which makes choosing the winners impossible (Reinert, 2010).

In modern business conditions the following business functions with the strategic role are particularly emphasized in organizational management because of their market orientation: marketing, quality, research and development. The company's growth, development and success are determined by tight interdependence of these three functions and their synergistic effect.

Marketing, as a business function, should create marketing program according to defined needs and

customers' requests with the aim to fulfil customers' requirements, to make profit and satisfy all other interest groups within a society. Marketing management becomes knowledge management – it makes possibilities for increasing knowledge productivity of other business functions. Marketing represents the key instrument which makes knowledge more productive.

The result of research-developing function is development of new technical-technological solutions. Since innovation represents output of research-developing function, the most accepted definition of innovative process would be "innovations = invention + exploitation". It means that each successful innovation must coordinate technological as well as the whole marketing function. Marketing is essential for total process of technological innovation.

Quality, alongside with product diversity and marketing communications, represents the key element for creating a successful brand with a stable market position. Quality is becoming a primary developing aim expressed in the form of business excellence and achieving world class product and services. Customer satisfaction and organization's performances should be monitored permanently in order to identify the chances for improvement. Quality management concept is predominantly a market concept based on improving all business functions, from market research, product and production development, logistics, marketing communications to evaluation of business effects.

According to Reinert (2010), one of the most important things is to understand that innovations and new knowledge have been the essential driving force in the history of economic development. Innovations and productivity are the main forces in the struggle for competitiveness and improvement of knowledge productivity represents an imperative for achieving long-lasting competitive ability.

SERBIAN COMPANIES' BUSINESS BASIC CHARACTERISTICS ANALYSIS

Since the early 1980s Serbian economy has had problems with improving quality and productivity. The productivity problem did not appear in Serbian economy only in the time of transition but it was present before, as well. These problems were the result of inappropriate business performance which was not based on market principles. Certain products had unjustifiably high prices which were not competitive on the world market. Therefore, Serbian

companies reduced export prices in order to gain competitiveness on the world market, while Serbian customers had to pay this cost of unproductiveness through high prices. Old technology, poor quality, unattractive packaging and high prices are thus the main reasons for uncompetitive appearance of Serbian products on international market.

The analysis of Centre for research in the economy (Bojadić, 2010) show that the effective work time is three hours and 45 minutes per day in state companies' administration; there are 25 minutes more in factories. At the same time, in private companies there is the effective work time of seven hours and 18 min., which is almost twice as long. Serbian productivity carries 42% of the European average. The reasons are: insufficiently good work organization, technological obsolescence and lack of knowledge, and the consequences are incompetence, decline in consumption and unemployment.

Technological equipment also represents a significant element of productivity rising. The average machine age in Serbia is about 30 years. Compared to the situation in the region, this represents the approximate 12-year obsolescence. Serbian economy is, technologically, 29.5 years behind European Union, which was confirmed on the representative sample of 154 small, medium and big companies within six economical branches with similar production programs. The comparison was carried out in textile, food-processing, pharmaceutical, machinery, chemical and building material industries. Austria was taken as a criterion because of its similar natural, social and demographical characteristics in relation to Serbia (Ringier, 2009). The greatest obsolescence was noticed in textile companies (35 years), then in machine industry (34.5 years). Pharmaceutical companies were best ranked with 21 years' delay. Considering the regions, the equipment, tools and other production means are most obsolete in south Serbia (41 years) and the least in Backa (18.5 years' delay). In Belgrade the delay is 20.5 years.

The most productive companies are those with the equipment and machines of the highest quality. These are pharmaceutical companies, some companies from the field of food processing and companies with foreign capital, which is totally 8.5 to 9% of the whole Serbian industry. Metal industry is in the worst situation, with 35 year- old- machines in average, and reject of 36%, which is more than double compared to the average in EU countries. Even Croatia and Romania with the reject of 19 and 24% respectively are much better than Serbia.

Serbian bad competitive position, showed in Table 1 (according to World Economic Forum (2010)), is a direct consequence of the problems mentioned above.

Table 1: Ranking West Balkan countries according to competitiveness in 2010.

COUNTRY	PLACE
Slovenia	45
Montenegro	48
Croatia	77
Macedonia	79
Serbia	96
Bosnia and Herzegovina	102

DIRECTIONS FOR IMPROVING SERBIAN ENTERPRISES' BUSINESS

The future success will depend on organization's ability to use collective knowledge which represents accumulated opinions, intuition, experiences and intelligence. Improving knowledge productivity is certainly a crucial problem of transitional countries and the problem of our economy as well. Since education and productivity are interdependent, the fact that our companies have a low productivity rate is not surprising. Masaaki Imai (2008) emphasizes: "Quality is managers' responsibility. Poor quality is the result of poor management".

The opinions of future executives and experts are extremely important for defining development directions in relation to competitive improvement of Serbian companies. The research results, which deal with the analysis of young people's attitudes related to their involvement in entrepreneurial process, as well as with comprehension on business practice success of Serbian companies depict these ways of future experts and executives' thinking. The research was carried out in the end of 2010 (November – December), on Serbian territory (12 towns and municipalities – Beograd, Novi Sad, Zrenjanin, Kraljevo, Čačak, Kikinda, Vršac, Bačka Palanka, Alibunar, Jagodina, Nova Varoš, Novi Pazar). It included 580 students oriented towards management. When asked to evaluate competitive ability of Serbian companies, 47.93% of them thought that they partially satisfied the requirements imposed by international market, 43.28% thought that Serbian companies did not satisfy these requirements while only 5.69% of the interviewed considered Serbian companies to satisfy the conditions necessary for achieving competitiveness on the international market. The most significant factors which are missing in developing competitiveness of Serbian companies are the following: new technologies (12.94%), employees'

motivation (11.41%), education (9.93%) and financial support (9.21%). Considering the level of innovativeness within Serbian companies, the majority of them (60.17%) thought that Serbian companies partially fulfill this factor, 30.52% of the interviewed thought that our companies were not innovative while only 6.55% of them considered our companies innovative.

According to the interviewees, the following elements are necessary for developing competitive ability of Serbian companies: standardization of business quality (17.22%), implementation of modern management methods and techniques (17.08%), investments in development of national brands (17.08%) and buying modern technologies (13.02%).

According to Norwegian economist Erik Reinert (2010), when companies' paradigm is changed, the companies themselves are changed and restructured – which happens with the executives as well. It is not possible to achieve and maintain a significant position without prosperous and successful management. In competitions it is always skill and not capital that wins in long terms. Taking all this into account, business performance of Serbian companies must be based on implementation of management techniques supported by competitiveness, innovativeness and flexibility as well as on fast knowledge improvement of all employees, especially executives. Also, it is necessary for our enterprises to detach from the limitations of local-market way of thinking, Serbian perception of business and Serbian business experience (following the formula „if something functions, it should not be changed“).

CONCLUSION

Competitive advantage cannot be achieved as it could have been before the crisis in 2008. The world economic crisis has changed business conditions, which is particularly related to resource management and market competitiveness. A successful company in the global economy must become a new phenomenon which does not owe much to its „predecessors“. It demands deep reconsideration of marketing methods. A traditional market approach must be left behind and the advantage given to simultaneous breakthroughs on all markets together in combination with a firm decision related to 'insiderisation', through introducing sub-performers in companies with the help with information sharing and co-operation on shaping strategies and other activities, training etc., (Ohmae, 2007).

A lot of factors contribute to forming the strategical inertia, but the three represent a particularly interesting threat to a well-timed renewal (Hamel, 2009). The first one is the leading teams' tendency to disclaim or ignore the urge to restart the strategy. The second one is the lack of convincing alternatives to the unchanged state. The third one is the allocation rigidity, which complicates talent placement and regrouping behind the new initiatives. Innovations, flexibility and productivity are guidelines for the future development in the field of competitiveness and organizational management. The very essence of the struggle for competitiveness lies in accepting changes. Knowledge is the main driving force of permanent productivity growth in the companies from these countries.

Companies from transitional countries are faced with numerous problems – among them the most important are those related to improving knowledge and organization. Economic progress and development of Republic of Serbia require creation and development of competitive economy based on knowledge, new technologies and innovations, as well as on overall implementation of integrated management systems.

The main problem in Serbian enterprises lies in inadequate use of knowledge, by domestic managers in the first place, as well as the lack of will for constant improvement. Domestic enterprises have to design their development strategy in a clearer way, especially in accordance with European and global integration trends, while the contemporary management methods and techniques, such as integrated management systems, marketing relationships, corporate social responsibility etc. represent the basic precondition for successful market development. Overcoming the problem of inadequate managing the business subjects lays in educating the executive managers.

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