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ANALYSIS OF THE POSSIBILITIES FOR IMPROVING THE QUALITY OF DOMESTIC ENTERPRISE OPERATIONS

Abstract: *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. In order for domestic 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. The implementation of quality management systems and integrated management systems are key prerequisites for achieving competitive ability of domestic enterprises on a global market.*

Keywords: *quality, management, competitiveness, innovation, productivity, knowledge*

1. INTRODUCTION

Global competitiveness is becoming more intensive, noticeable and offensive. In most industrial branches competitiveness has become internationalized and companies appear on the market through global strategies. 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 youth population. Young population represents an advantage not only concerning education but because of everything else – 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. 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 make, 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 [3, p. 247].

2. MODERN COMPETITIVE CONDITIONS

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 represent sublimated knowledge on the move, the basic pillar of the new society represents knowledge. There have been considerable changes on organization level. Tissen, Andriessen and Depres [6, p. 158] think that the new logics of an organization is in the following:

- Dynamic, ready to study,
- Rich in information,
- Global,
- Small and big,
- Oriented towards products/customers,
- Oriented towards skills,
- Team-work,
- Oriented towards inclusion,
- Lateral, connected,
- Oriented towards buyers.

Knowledge is becoming a product and corporative intellectual ownership is even today more valuable than physical resources. Modern organization must

create knowledge but it also must increase the value, too.

The challenges which follow establishing, keeping and developing competitive abilities on the global market are today much greater 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 impossible to choose the winners, [4].

In modern business conditions the following business functions with strategic sign are especially emphasized in organizational management because of their market orientation: marketing, quality, research and development. The company's growth and development as well as its 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, together 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 product and services world class. Customer satisfaction and organization's performances should be monitored permanently in order to find out 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 [4], one of the most important things is to understand that innovations and new knowledge are 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.

3. THE ANALYSIS OF IMPROVING BUSINESS QUALITY PROCESS IN DOMESTIC COMPANIES

From the early 1980s domestic economy has had problems with improving quality and productivity. The productivity problem did not appear in domestic economy 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 be competitive on the world market and our customers had to pay difference in unproductiveness through high prices. Old technology, poor quality, unattractive packaging and high prices are the main reasons for uncompetitive appearance of Serbian products on international market.

The analysis of Centre for research in the economy [1] show that in state companies, in administration, the effective work time is three hours and 45 minutes per day and 25 min. more in factories. In the same time, in private companies the effective work time is seven hours and 18 min., which is four hours longer. Productivity is 42% of the European average. The reasons are: insufficiently good work organization, technological backwardness and lack of knowledge, and the consequences are in-competitiveness, decline in consumption and unemployment.

Technological equipment also represents a significant element of productivity rising. The average machine age in Serbia is 30 years. Comparing to the situation in the region, this is the delay of about 12 years. 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 materials industries. Austria was taken as a criterion because of its similar natural, social and demographical characteristics in relation to Serbia [5]. The greatest backwardness 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 backwarded in south Serbia (41 years) and the best

situation is in Backa (18.5 years' delay). In Belgrade the delay is 20.5 years.

Table 2: Ranking West Balkan countries according to competitiveness in 2010. [7]

COUNTRY	PLACE
Slovenia	45
Montenegro	48
Croatia	77
Macedonia	79
Serbia	96
BandH	102

The most productive companies are those with the most qualitative equipment and machines. Among them 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, comparing to the average in EU countries. Even Croatia and Romania with reject of 19 and 24% are much better than Serbia. Serbian bad competitive position is a direct consequence of above-mentioned problems. (table 1).

4. DEVELOPMENT DIRECTIONS OF DOMESTIC COMPANIES' BUSINESS QUALITY

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, our companies have a low productivity rate. Masaaki Imai emphasizes: "Quality is managers' responsibility. Poor quality is the result of poor management" [2, p. 203].

The opinions of future executives and experts are extremely important for defining development directions in relation to competitive improvement of domestic companies. The research results which deal with the analysis of the young people's attitudes related to their involvement in entrepreneurial process, as well as with comprehension on business practice success of domestic companies represent the way of thinking of the future experts and executives. The research was carried out at 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 they were asked to evaluate competitive ability of domestic companies, 47.93% of them thought that they partially satisfied the requirements imposed by international market, 43.28% thought that domestic companies did not satisfy these requirements while only 5.69% of the interviewed considered domestic companies to satisfy the conditions necessary for achieving competitiveness on the international market. The most significant factors which are missing in developing competitiveness of domestic 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 domestic companies, the majority of them or 60.17% thought that domestic companies partially fulfil 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 interviewed, the following elements are necessary for developing competitive ability of domestic 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 [4], when companies' paradigm is changed the companies themselves are changed and restructured – the same 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 domestic 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.

5. CONCLUSION

Competitive advantage cannot be achieved as before the crisis of 2008. The world economic crisis has changed business conditions which is particularly related to resources management and market competitiveness.

A successful company in the global

economy must become a new phenomenon which doesn't 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 break through on all markets together in combination with a firm decision related to «insiderization» (Introducing sub-performers in companies with the help of information sharing and common work on shaping strategies and other activities, training etc.), [3].

Innovations, flexibility and productivity are guidelines of 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.

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