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INTEGRATED MANAGEMENT SYSTEMS - THE WAY TO IMPROVE COMPETITIVENESS OF LOCAL COMPANIES

Abstract: *New conditions on global markets require new approaches in the field of organizational management and development of competitiveness. Standards and best practices are the way to excellence in the long term. If domestic enterprises want to become competitive in international terms, it is necessary to change ways of thinking and adopt the achievements of the modern world in the field of organizational management. The application of quality management systems and integrated management systems is a prerequisite for achieving the competitiveness of domestic enterprises in the global market.*

Keywords: *quality, competitiveness, integrated management systems, productivity, knowledge.*

1. INTRODUCTION

In today's economy only the most resourceful and the most intelligent are the one who can win, no matter where they come from. That kind of market reality requires the establishment of a new model of organizational management. Recent time has shown that large corporations, burdened with unnecessary bureaucratic administration and management are losing the race to less enterprising corporations, especially those coming from newly industrialized countries.

Modern competitive relations become more complex due to the effects of the global economic crisis that hit the world in 2008, with consequences felt even nowadays - analysts believe that the second wave of crisis is yet to come. The probabilities that the world will face with long-term weakness, such as Japan already had faced, and had to deal even with the losing decade, is still very probable [1, p, 205].

It is therefore important to see where

we stand. Perhaps we avoided repetition of the Great Depression, but we certainly live in a world where normal rules of the economic policy do not apply. We live in a world where economy is governed by depression – so, the understanding the logic of economic depression, in which virtue may be defect and sobriety considered as nonsense, is our only defense against economic collapse.

The global economic crisis and its long-term effects only further highlight the need for constant improvement of knowledge. It is therefore necessary to develop new business models in order to establish the competitiveness in the global market. Modern business involves the restructuring of business functions

Companies must turn away from the traditional concept, based on linear thinking, where all business functions have equal importance and are directed to proactive thinking. That involves understanding and creating changes, and giving importance to those business functions that will allow businesses to

create, maintain and improve competitive position in the global market.

Rapid change, short-term advantage, disruptive technology, a revolutionary competition, disrupted markets, omnipotent customers, rebellious shareholders - are the challenges of the 21st century that are challenging the projected limits of organizations around the world, bringing to light the shortcomings of management models that fail to keep pace with time [2, p. 7]. Methods and techniques of competitive development and acquisition of competitive capabilities, which were used in nineties no longer, apply. The organization must be innovative in order to establish, maintain and develop competitive advantage in the market. Rapid technological changes require a new philosophical approach to the study of business management

2. CONTEMPORARY UNDERSTANDING PROCES OF MANAGEMENT

The new conditions prevailing in the environment require the application of new approaches to the management process, especially when it comes to the issues of competitiveness. Modern management is not just a collection of useful tools and techniques; it is a paradigm, as 'said' in the phrase of Thomas Kuhn. The paradigm is more than a way of thinking - it is a way of seeing the world, the widespread belief that all problems are worth solving [2, p. 24].

Knowledge becomes a product, and today corporate intellectual property is worth more than physical resources. Not only does modern organization is obligated to create knowledge, it also has to increase its value.

The challenges that accompany the establishment, maintenance and development of competitiveness in the

global market today, are far greater than 20 years ago, and this is mainly due to following reasons:

- New companies are largely based on services,
- New companies are largely companies in the field of knowledge economy,
- Changes of the techno-economic paradigm is causing huge changes,
- Number of allowed errors is much smaller than it was before,
- A new paradigm is largely in the phase pre-standardization, making it impossible to choose the winners, [3, p. 71].

In contemporary business conditions, particularly in managing of the company, business functions especially stand out, which, because of its market orientation, bear strategic sign. Those are marketing, quality, research and development. Growth, development of a company and its success are therefore determined by a close interdependence between the three mentioned functions and their synergetic effect.

Marketing, as business functions needs to formulate a marketing program in accordance with the defined needs and expressed demands of consumers in order to achieve customer satisfaction, profits of enterprises and satisfaction of all other stakeholders in society. The result of research and development function is the development of new technical and technological solutions. Since innovation represents the output of research-development function, generally accepted definition of the innovation process would be read like "Innovation = Invention + Exploitation". This means that every successful innovation must coordinate technology and the entire marketing function. Marketing is important in the overall process of technological innovation.

Quality, along with product differentiation and market communication, is a key element for establishing a

successful brand with a stable market position. Quality becomes the primary development objective, materialized through the achievement of business excellence and achieving world-class products and services. The concept of quality management is primarily a market concept, which is based on the improvement of all business activities, from market research, product development and manufacturing, logistics, marketing communications and business impact evaluation.

Generally speaking, there are two main roads towards the achievement of business excellence. One involves building up the concept of total quality management (TQM), while the second involves the implementation of the concept of integrated management systems (IMS). The development of the concept of TQM is a long road, determined on the quality based on improvement of the productivity of knowledge and work of each individual within the organization. On the other hand, the implementation of integrated management systems involves integrating international standards for quality management (QMS), Environmental Management System (EMS), security management of employees (OHSAS), and so on, which is based on application requirements of these standards. Implementation of integrated management system allows reducing the time needed to build TQM, which creates conditions for enterprises in less developed countries to build a business system that can enable the creation of world class products and implementation of business excellence, while respecting the requirements of international standards.

3. BUSINESS ANALYSIS IN THE DOMESTIC COMPANIES

Domestic economy has problems with improving productivity and quality from

the early eighties. The problem of productivity in the domestic economy existed long before the period of transition. Problems in labor productivity of domestic firms were the result of inappropriate methods of operation that were not based on market principles. This resulted with unrealistically high prices of some products, which could not pass on the world market. Therefore, the domestic companies, in order to be successfully on the global business scene, used lowered prices for exports, in contrast to non-productivity of the domestic consumers who had to pay the high prices. Outdated technology, poor quality, unattractive packaging and high prices are the main reasons why Serbian products cannot match with other competing products on the international market.

Analysis of the Center for research in economy [4] shows that the administration in state companies works effectively for three hours and 45 minutes a day, and on the field 25 minutes longer. At the same time in the private sector, effective work is seven hours and 18 minutes, which is almost four hours more. Productivity is 42% of European average. The reason for this is the lack of good work organization, technological backwardness, lack of knowledge and lack of competitiveness, employment and consumption decreases.

According to the results of a survey that was conducted in the period 2005 - 2007 privatized and new private companies have shown a positive allocative efficiency, positive covariance on market share and factorial productivity. Companies with higher productivity have had a greater market share of output. The largest allocative efficiency was recorded in Vojvodina, and if we consider the industrial sectors, the biggest was in the tobacco industry, wood industry and metal processing industry. The negative allocative efficiency, with greater market share output of firms with low productivity factor was shown in the industry of motor

vehicles and manufacture of electrical machines [5, p73]. Technological equipment is also an important element of business productivity growth. The average age of the machines in Serbia is 30 years. In compartment to the region, there is the delay of 12 years. The Serbian economy is lagging behind the European Union for 29.5 years. This is determined on a representative sample of 154 small, medium and large enterprises in six industries with similar production programs. The comparison is done in the textile, food, pharmaceutical, mechanical and chemical industries, as well as in the industry of construction material. The criteria of Austria were taken because there are approximately similar natural, social and population characteristics in relation to Serbia [6]. The lag is 20.5 years.

Quality management is one of the less developed aspects of control in domestic companies; this problem has direct impact on improving the productivity of domestic firms. Table 2 presents the number of certificates for 2008 in the Serbian market.

Table 1: Number of certified firms in 2008 in the region

COUNTRY	ISO 9001:2000	ISO 14001:2004
Albania	43	0
Bosnia and Herzegovina	811	60
Bulgaria	5,323	321
Croatia	2,302	343
Hungary	10,187	1,834
Montenegro	160	17
Romania	10,737	3,884
Serbia	2,091	176
Slovenia	1,945	672
Macedonia	271	26

Source: The ISO Survey 2008, ISO 2009, retrieved: <http://www.iso.org>,

The consequence of these problems is a very bad position of Serbia in terms of competitiveness.

Table 2: Ranking of the Western Balkans countries according to competitiveness in 2010

Country	Ranking
Slovenia	57
Montenegro	60
Croatia	76
Albania	78
Macedonia	79
Serbia	95
Bosnia and Herzegovina	100

Source: The Global Competitiveness Report 2011-2012, World Economic Forum., 2011, p. 15-16.

Serbia moved up for one position in the list of global competitiveness compared with previous year. As for the individual criteria of competitiveness, the most of the weak positions (below 100 seats) are for: indicators of institutions - protection of property rights (126th place), the independence of the judiciary (128th place), the effectiveness of legislation (134th place), protection of minority shareholders (140th place). From the standpoint of traffic, the quality of the Serbian railway infrastructure is in 102nd place, the quality of roads in the 131st place and the quality of air transport infrastructure in the 132nd site. Leaders in the global competitiveness are Switzerland, which ranks first, followed by Singapore and Sweden is on the third place. Taiwan is located at 13th and China at 31st.

According to a research consultant "Roland Berger Strategy Consultants," almost half of the companies that participated in their survey indicated that their competitiveness improve during the crisis. About 70% stated that crisis contributed to this improvement of competitiveness. Nearly 60% of directors see their company as highly competitive, which might surprise professional public, especially when considering the declining of Serbia competitiveness in the list of the

World Economic Forum. Serbian companies have used the crisis to do more in their own restructuring. However, the problem is that the leaders of Serbian companies believe in cost reduction priority in restructuring much more than CEOs in other parts of Europe. A lot of Serbian businessmen give a much less significance to long-term strategy and making of the final adjustment of the business model. Thus, when reforming, Serbian managers tend to fire people and reduce production to a minimum rather than to make long-term plan and design production. Thus, compared to managers in Western Europe, domestic manager attach extremely small importance to the cost flexibility, have much less focus on Risk management and therefore considering it as a bad instrument, keeping risk management on the rear place.

What could be considered as problem or maybe benefit is perhaps a large percentage of those who rated that they did not need restructuring [9, p. 5].

4. THE GUIDELINES FOR IMPROVING QUALITY OF DOMESTIC BUSINESS ENTERPRISE

Improving the productivity of knowledge is certainly a burning issue for most countries in transition, including the domestic economy. Since productivity and education are inter-related, domestic enterprises have low productivity rate. Masaki Having emphasized: "Quality is the responsibility of managers. Poor quality is the result of bad management" [10, p. 203].

According to the report that was made by World Bank, under the name "A way to progress: productivity and export", that was announced during 2011, improvement of productivity is out of most importance for increasing export and sustainable development. The report state that Serbian

companies are less productive, and that costs of unit labor is higher than in companies of other countries in the region. For example, workers in Serbia produce less than half of what they produce in Slovakia. However, with adequate reforms, Serbia can significantly increase the productivity of their workers. In accordance with the report, to increase productivity, entrepreneurs need a favorable business environment, the competent authorities and the legal framework, which promotes competition, skilled labor force and good infrastructure. It is therefore necessary to remove barriers for domestic and foreign investment, continue with structural reforms and integration with European and world markets [11].

The opinions of future leaders and experts are extremely important to define the guidelines for development in the area of improving the competitiveness of domestic enterprises. The researches, which analyzed the attitude of young people in relation to involvement in the entrepreneurial process, as well as their understanding of successful business practices of local companies, showed opinions of future professionals and leaders. Research was conducted in late 2011 (November-December), on territory of the Republic of Serbia (16 cities and municipalities - Belgrade, Backa Palanka, Novi Sad, Subotica, Pozarevac, Kragujevac, Sabac, Kraljevo, Cacak, FC, Solin, Paraćin, Zrenjanin, Alibunar, Niš and Jagodina). It included 654 students who were profiled to management. Regarding the assessment of competitiveness of domestic enterprises, 53.12% of respondents believe that the competitiveness of domestic enterprises do not meet the requirements set by the international environment, 39.88% believe that the competitiveness of domestic enterprises partially meets the requirements set by the international environment, while only 5.18 % of

respondents believe that local companies meet the requirements for achieving competitiveness in the international field, or 1.83% of the respondents considered it very satisfying. The main factors that are missing in the development of the competitiveness of domestic enterprises are: New technologies (13.45%), education (11.88%), motivation of employees (9.56%), institutional support (7.92%) and financial support (7.56%). When it comes to assessment of the degree of innovation of local companies, the majority of respondents, 50.38% believe that domestic companies partly meet this factor of competitiveness, 40.46% of them believe that domestic companies do not meet this factor of competitiveness. Research showed that 40.46% of respondents believe that domestic companies are not innovative, 50.38% found them partly innovative, while on contrary, 7.33% of respondents believe that national enterprises are innovative.

Respondents listed as necessary elements for the development of competitiveness of domestic companies the following: standardizing the quality of business (19.88%), application of modern management methods and techniques (16.88%), investment in new technology development (14.74%), investment in national brands (12.83%), and creating strategic alliances (12.02%).

As shown in the presented results, future young professionals in the field of management are aware of the fact that standardization of the quality of operations and application of modern methods and techniques of management represent strategic framework for the competitiveness of domestic enterprises. Hamel believes that innovation management brings competitive advantage when one or more of the following three conditions meet: innovation is based on a new principle of management, innovation must be systematic and innovation is part of the continuing and rapid discovery [2, p

40]. This includes improving the quality of operations, strengthening research and development functions, permanent work on innovating knowledge, especially in the field of information technology, turning towards the businesses and processes that work in practice.

5. CONCLUSION

The global economic crisis has changed business conditions, and this is especially in resource management and competition in the market. Innovation, flexibility and productivity are the signposts for future development in the field of competitiveness and organizational management. The essence of the struggle for competitiveness lies in the acceptance of change. Companies from countries in transition are faced with numerous problems, and the most important problems concern the improvement of knowledge and organization. Domestic companies under competitive and global economic crisis has only further emphasizes this fact. Competitiveness is always, in fact, the other side of productivity. Productivity and quality are inextricably linked in tandem and they create a competitive advantage.

For a company that wishes to achieve the goals of business excellence at the current level of development, it is reasonable to choose to integrate individual management systems that are defined by individual standards. The application of IMS can be of great importance for companies from countries in transition. Namely because these companies need to improve their competitive capacity in the global market in a short period of time, so, the implementation of IMS is the only mean for achieving that goal. Instead of building a long-term concept of TQM, by applying one by one module of integrated management systems, based on respect for

the demands of international standards ISO 9001, ISO 14001 and ISO 18,001. goals of business excellence could be achieved in a shorter period of time. In the domestic

market, there are companies that are in the stage of integrating these modules, and thus in the formation of IMS, but they are few in number.

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