ABSTRACT – Under modern conditions for performing business, an enterprise regardless of its size or business activity must be systematically directed and run. Small and medium-size enterprises have certain characteristics that make them considerably different compared to large systems, therefore it is not realistic to expect that the management process in such organizations would develop in the same way as in the large systems.

The fact is that the small business often does not involve a small investment, and the management of small enterprises is constantly faced with the problem of “poverty of resources” that leads to the conclusion that the success of SMEs is predominantly determined by the managerial skills of managers/owners. Assuming that the owners/managers of SMEs adequately perceive the capabilities of their enterprise, make the right decisions, finding effective solutions in terms of organization and apply modern approaches to control and the success of the company definitely will follow.

In this paper theoretical and empirical research has been carried out with the aim to identify the basic characteristics of successful management of SMEs in Serbia. The research results indicate that the managerial capacity of managers/owners of SMEs is the main strength of the company, and one of the key sources of growth and development. When the influence of external factors is very unfavorable for business development, the management as an internal resource of organization is increasingly gaining importance in creating business success and competitive advantage.

KEY WORDS: SMEs, management, planning, competitive advantage, organizational structure, leadership, control

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Introduction

Small and medium-size enterprises (SMEs) have certain characteristics that make them considerably different compared to large systems. In certain situations such specificities put SMEs in a privileged position, on the other hand, there are many features that limit their growth and make them inferior to large organizations.

Flexibility is the first and main advantage that stands out when it comes to SMEs. Smaller organizations have the ability to adapt quickly to the new circumstances and market needs. Unlike large companies that are characterized by sluggishness, the small enterprises without any major shocks can redirect to the new market demands, in terms of the required quality, design, after-sales services etc. Also, in comparison with large organizations advantages can be found in the area of innovation, simple organizational structure, a small initial capital, ability of liaison and collaboration. Smaller companies are more prone to entrepreneurial ventures and adopt new technology solutions more quickly, especially if they do not require excessive contributions and investments. On the other hand, the problems confronting SMEs significantly threaten and challenge their survival and development. The factors limiting the development of small business can be found in both external environment and internal features of a small business.

Given that SMEs are not smaller versions of the large systems, it is unrealistic to expect that the key management activities in such enterprises are implemented in a manner that is appropriate for the large enterprises. Due to the continuing lack of financial and human resources, smaller business volume, as well as a negative influence of factors from the external environment, the management of SMEs is forced to define special and in many ways specific approaches to planning, organizing and control.

Characteristics of planning in SMEs

Planning is the primary, and at the same time very complex phase of management in which a number of strategic and operational decisions is made on the basis of which the operations of an enterprise are then directed and coordinated. In fact, this is a phase of management which defines organizational goals determining the ways to achieve them.

The need for planning exists in every enterprise, regardless of its size or business activity in which it is engaged in. The intensity of such need is determined by many factors such as corporate culture, management style, ambition of the manager/owner, size and structure of the business portfolio and the like (Jovan Todorović, 2004, p. 508). To these factors the features of environment should be added, especially those related to the industry in which the company operates (Coulter, 2010, p. 315).

A key issue related to the phenomenon of planning in the SMEs is whether the management in smaller organizations has enough time for effective planning due to the fact that it is burdened by numerous activities related to the implementation of the defined planned decisions. It is common opinion that spending time in an efficient manner means for managers to spend 60% of their time in planning and development, 25% on the current tasks and 15% on the routine tasks (Avlijaš, 2008, p. 165). Given that small business owners take on many roles and are not exclusively engaged in defining planning decisions but also in its implementation and control, it can be concluded that the planning in smaller organizations
possess certain characteristics or that does not happen in the same way as in the large enterprises.

With the aim to identify the basic characteristics and specifics of the planning in SMEs an empirical research has been conducted on a sample consisting of 102 entities in Serbia (Lazarević-Moravčević, 2013, p. 196). When creating a sample the selective approach has been used. Therefore the structure of the sample consists of enterprises that employ more than ten employees, achieve positive results and have a recognized potential for growth and development.

According to the research results when making key decisions the management of SMEs in Serbia takes into consideration the factors of endogenous and exogenous origin. Besides numerous problems challenging them, the owners/managers of the SMEs have a clear intention and optimism about the direction in which they want their business grow. Since the growth strategy is a dominant strategic orientation, it can be concluded that the managers in SMEs are characterized by ambition, desire for success and the tendency to accept risks.

Chart 1. Characteristics of planning in SMEs

![Chart 1. Characteristics of planning in SMEs](image)

Source: Authors’ own research

Based on the results obtained, shown in Chart 1, it can be seen that the key feature of the management of SMEs in Serbia is the medium term planning. The absence of a long-term growth plan, especially present in the small business segment, is not an unexpected result, especially if we take into account the instability and volatility of the environment in which enterprises in Serbia carry out their business operations.

The results show that in the SMEs sector there is a practice of formalization of the planning process but only to a certain level. In this sense, the management of SMEs brings highly formalized decisions such as business policies, procedures and rules. The formalization or the adoption of permanent planning decisions improves the efficiency of decision-making and implementation of decisions and solves one of the major problems...
facing the management in SMEs which is the "lack of time". The formalization shortens the
time necessary for tasks of operational character, which also means that there is more time
left to resolve issues of a strategic importance to the organization. Therefore, it can be
concluded that formalization is desirable as long as results in an increase in efficiency
without endangering the creativity and flexibility of the enterprise.

Business plan has been identified as a key business decision in the category of small and
medium-sized enterprises. A business plan is a "road map" by which an entrepreneur defines
his business, business expectations, sources of funding and the ways to obtain the lacking
resources, as well as ways for rational use of resources (Dostić, Serdarević-Šestić, Kulović,
2010, p. 6). Business owners create this planning decision for the different needs of internal
and external nature. A business plan is created when a company is launching a new
business, but also when planning further business development in terms of introducing new
products, markets, technologies, etc. Also, the business plan is an essential document in
situations when seeking financial assistance from the banks or other financiers. In such case,
the planning decision has the role of a study that justifies the entrepreneurial idea. Given
that it can serve as a standard in control, the business plan could also be created for the
internal needs of an enterprise.

The structure of a business plan is determined by its purpose. Therefore, differences in
the individual structural elements of a business plan can occur depending on whether it is a
new or already existing business. Also the elements of a business plan depend on whether
the business plan is created for internal use of an enterprise or to obtain funds from banks or
from other investors when is necessary to adhere to the instructions given by financiers. The
structure of a business plan is also determined by the characteristics of the activity (business)
in which the enterprise operates, the environment in which operates, preferences and
ambitions of the owner/manager etc. Regardless of how it is structured and which elements
contains, a business plan should be short, clear and well suited to its readers or users. It is
recommended that a business plan for the small enterprises contains 10-20 pages and 20-30
pages for medium-size enterprises, which means that in any case it is necessary to avoid
verbosity and unnecessary information.

Through the analysis of environment the management of a market-oriented company
gets an insight into the market potential of an industry, its competitive structure, identifies
critical success factors, internal strengths and weaknesses, etc. Taking into account the
influence of competition on the business operations of enterprises, each market-oriented
company when it comes to the planning of activities, needs to systematically make an
analysis of the competitive environment. In this sense, an enterprise needs to get familiar
with its competitors in terms of the market share, strengths and weaknesses, future steps and
other aspects.

Since the analysis of the environment factors in an industry is of great importance for the
business operations of enterprises, one part of the research has been conducted in order to
establish whether the management of SMEs takes into consideration the behavior of
competitors in the market when making key planning decisions. In the analysis it was
assumed that competition is a key stakeholder, i.e. an important factor that directly
determines the company’s business operations.
According to the research results, looking at the entire sample about 54% of managers know well enough their competitors in terms of their market share. On the other hand, the knowledge of future strategic steps taken by their competitors is very low. Only 11% of managers of SMEs believe that they can predict the future moves of their competitors. Similar results were obtained when assessing knowledge of the internal strengths and weaknesses of the competition. Shown as percentages for the entire sample about 12% of managers know well enough their competition in the context of its internal weaknesses, while only 16% in the segment of its internal forces.

**Chart 2. Knowing the competition - small enterprises, in %**

**Chart 3. Knowing the competition - medium-size enterprises, in %**

*Source: Authors’ own research*
The results suggest that the management of SMEs is not characterized by a systematic approach and comprehensiveness in the process of analysis of factors related to the industry (competition) environment which results in a lack of knowledge regarding competition in terms of its market share, strengths and weaknesses and especially of its future strategic moves. Since the actions of competitors may have a dramatic impact on the business operations of an enterprise, it is essential that a systematic and objective analysis of this environment segment becomes a practice of the SMEs. With the aim to overcome weakness identified in this domain, the use of certain techniques and models is recommended in order to achieve a better quality of analysis and to raise its objectivity and efficiency to a higher level.

**Organizing and organizational design of small and medium-size enterprises**

Defining the optimal organizational structure, or a structure that would enable an efficient use of available resources and performance of activities in an organization, is a complex and challenging task for the managers of modern enterprises, especially due to the fact that organizational design is determined by the numerous factors of external and internal nature, such as company size, life cycle phase of organization, management decisions, technology available to the company, relationships between organizational units, employees and so on (Erić, 2000, p. 376). The influence also comes from a number of factors of the external environment, such as changes in the political and economic system, the intensity of competitive struggle, changes in the market in terms of consumer demands, resource availability, etc.

Due to the frequent changes in the environment factors, a well defined organizational structure can be an effective solution but only for a certain period of time. For this reason it is necessary to periodically review and modify the organizational design. Some believe that the moderate changes in organizational design should take place at least once a year, while some radical changes should be implemented every 4-5 years. A redesign of organizational structure is necessary to carry out when the company introduces new products in its product range, new technology, or enters new markets, hires new people, shuts down production, narrows the market place, etc. More specifically, any change in the strategic orientation of a company will require an adaptation of the organizational structure and its change.

By applying certain principles of organization SMEs management tries to find an optimal solution, or an organizational design which would logically connect the organizational units of the company, on the basis of which the conditions for the implementation and enforcement of strategic and operational decisions will be made. Due to the fact that the SMEs are continuously facing the lack of financial and human resources, organizational solutions for many of such companies are unattainable. On the other hand, due to the smaller business volume the SMEs do not need to create the complex organizational structures.

A very frequent form of organizational structure in SMEs, as confirmed by the results of the research, is the functional organizational structure. Based on Charts 4 and 5 it can be seen

3 Specialization, departmentalisation, chain of command, span of control, centralization/decentralization, formalization.
that in the category of medium-size enterprises a functional organizational structure covers about 92% and 43% of the small enterprises.

*Chart 4. Organizational structure - medium-sized enterprises*

![Organizational structure chart]

*Source: Authors' own research*

Functional organizational structure is characterized by clearly defined hierarchical levels, formalization, standardization, clearly defined jobs, tasks and roles of individuals. The advantages of this organizational form are clear and direct control, good communication and coordination of employees within the functions, specialization, savings based on the economies of scale, highly skilled workforce and a great ability to solve technical problems etc. On the other hand, the conflict of interest between certain functions, centralized decision making, unclear measuring of contribution of each functional area in the overall performance are considered to be primary disadvantages of this organizational form (Erić, 2000, p. 359).

According to its nature a simplified version of functional organizational structure is found in SMEs or a structure characterized by a smaller number of organizational units compared to the number of business functions that take place in the company. The studies have demonstrated that such organizational structures do not have separate places i.e. organizational units that would integrate activities of strategic importance for the growth and development of the company. The above primarily refers to the marketing activities, research and development. The absence of the above functional areas does not mean that the successful SMEs in Serbia are not innovative or marketing oriented, but rather that they apply particular and very specific ways to perform those activities.

The research results confirm that the small enterprises have, besides the functional organizational structures, the simple or informal structures.
A simple organizational structure is characterized by a high centralization, wide range of control, low specialization and departmentalization. The manager/owner makes all important decisions, participates in and supervises all business processes in the organization. The main advantage of a simple model of organization is a clear control system and a high level of flexibility.

Turbulent and dynamic conditions prevailing in the modern market in which an enterprise operates, impose the need for permanent reviews and changes of the strategic behavior of a company. Changes in the strategic orientation require adjustments in organizational terms. Modern organizations are becoming smaller, simpler, more dynamic, more horizontal and open (Riderstrale, Nordstrom, 2004, p. 195). The SMEs are adapting to the new requirements in terms of organizing or creating an organizational design, and as one of the possible solutions that such companies may apply is the matrix organizational structure.

Basically this is a structure produced by combining functional and project (divisional) structure in order to minimize its limitations and disadvantages. An effective combination of vertical lines of communication and authority with the horizontal (lateral) lines, stands out as one of the main advantages of the matrix organizational structure. Also, the matrix organizational structure is characterized by a high flexibility, efficient use of resources (resources and expertise are available on an equal basis to all projects), de-bureaucratization of management (decentralized decision making), more efficient solving of complex problems, and the like. On the other hand, in this organizational structure one of the most important organizational principles i.e. the principle of unity of command has been broken. A dual system of management or the fact that employees are exposed to a dual supervision makes the situation somewhat chaotic. The existence of the two key figures i.e. two managers (at the level of the project and at the level of the function) can cause a number of problems, which are usually manifested in the conflict of opinion and non-supporting attitudes.
between the functional and project teams. Also, the lack of understanding and lack of support between these two groups in the organization is largely caused by the fact that the teams in projects and the teams in functions differ widely based on their motivation and mentality. While the experts within functions are focused on strengthening the competence, efficiency and better equipment of sector, the project teams are focused on meeting deadlines, conditions of the contract and work plan (Brnjas, 2000, p. 309). The above disadvantage can be solved by strict defining of powers and responsibilities of managers at the both project and function level.

Although the use of matrix organizational structure is very limited, it may be an appropriate solution for SMEs that apply project-based work, or for businesses that are organized according to the functional principle, but intend to realize some project-based works in the coming period.

One of the many options that are available to the management of SMEs, and which used in order to make the organizational structure more flexible is outsourcing. Due to the lack of financial resources and unprofitability of establishing complex organizational structures, a great deal of activities can be transferred outside the company. In such case the enterprises develop certain management functions, and for the other business activities periodically engage external partners and consultants. By transferring those activities in which an enterprise cannot achieve uniqueness to other business entities, an enterprise acquires certain benefits, or eliminates bureaucracy, speeding up the decision making process, reducing costs, and most importantly focuses on the strengthening and upgrading of its core competence (so-called "core competence"). In the case of SMEs outsourcing and the use of services of specialized institutions are commonly used in the field of legal services, marketing, accounting, transportation, training and education, development of managerial skills, etc.

**Leadership in SMEs**

Leadership is a phenomenon that attracts the attention of experts for a long period of time. Over decades many books and papers on the subject of leadership have been written in a quest for the most acceptable definition and interpretation of the role of leader in the creation of success of an enterprise. A significant part of the experts believes that the leadership plays a critical role in creating competitive advantage, but also that this category should not be equated with the management or entrepreneurship.

Generally it is believed that a leader is someone who is creative, transformer and innovator. Such person approaches challenges with passion and without restraint. Thanks to his/her charisma, expertise and communication skills, a leader motivates others and inspires members of the organization to take an action and to transform. On the other hand, the manager is a person who plans, organizes and controls. Unlike an entrepreneur who identifies himself with the whole company, a professional manager identifies himself with the function performed in the company. His/her actions are primarily focused on the efficiency, as opposed to the leader who is focused on effectiveness. The character of a manager is determined by the persistence, rationality, analyticity, determination and prudence. An entrepreneur is the owner of the company, i.e. the person who runs the
business, takes the initiative and risk of success or failure of the organization. He is a visionary, a creative person who is dedicated to work to the maximum, but also someone who has a great need to control. The obsession of every entrepreneur is his/her business and organizational development. Therefore, entrepreneurs are focused on changes, innovations, creation of new products and markets. The differences between the entrepreneurs and leaders can be found in the orientation, or in the means used to achieve a goal. While the entrepreneur is mainly focused on the task and goal, the leader is focused on people, i.e. the followers that he/she directs toward achieving the goal without coercion.

Under conditions of high uncertainty and turbulence, it is more than desirable that the owner or the person who runs the business, in addition to entrepreneurial and managerial skills, possess the ability to encourage, motivate and animate the members of the organization by his/her personal example towards achieving the goal. A lack of leadership qualities, as well as inability to achieve effectiveness and efficiency by taking risky undertakings, will cause a decline in the business performance and endanger the survival of the company.

There is a perception that each organization throughout its life cycle in certain moments will have a greater need for individuals with managerial qualities, and in other moments will have a greater need for individuals who possess the qualities of leaders and entrepreneurs. Generally in the early stages of business development a company needs people with entrepreneurial spirit and ideas. At the stage when an organization becomes more mature and stabilizes its business it is realistic to expect that the transformation from entrepreneurship to management will follow. On the other hand, in times of crisis, the organization is in need of leaders, i.e. individuals who possess the skill of managing and transforming organization (Mašić et al., 2010, p. 427). Taking into account that effectiveness and efficiency are indispensable for success, the modern organizations are in need of management that has the leadership and managerial and entrepreneurial abilities and skills. In fact, these three roles are not conflicting and can be successfully integrated in a single person. By combining the entrepreneurial, managerial and leadership energy the success will be guaranteed.

The specifics of control processes in SMEs

Viewed in the light of conceptual sense the control in SMEs is not different from the control in large organizations. In the evaluation the management of SMEs may use the same or similar techniques and instruments that are used in the large systems. The only significant difference between the control in the small and large enterprises is the extent to which the control is preformed. The assumption is that in the smaller organizations the control will be easier due to the smaller volume of activities, i.e. will require less time and energy.

Generally speaking a control mainly involves the control of effects and the control of behavior. The performance control (control of effects) aims to establish whether the planned performance is achieved, and the control of behavior is carried out in order to direct the behavior of employees towards achieving planned performance. Such control is determined by the culture of organization, its system of constraints and rewards. Practice has shown that organizations that have a strong organizational culture and a fair system of rewarding, in the
process of control of behavior are less reliant on the constraints, i.e. rules, procedures and regulations (Dess, Lumpkin,Eisner, 2007).

Control is an instrument used for assessing the validity of selection of a certain planning decision, as well as the efficiency of its implementation. Evaluation of the business performance can be done by using a number of techniques and instruments, which are generally classified into two categories: traditional and contemporary. Classic (traditional) approaches are based on the accounting concept of profit, i.e. on the information obtained from the financial accounting system. A set of regular financial reports is used for basic reports that show information about business results.

The traditional approach that insists on presenting business results through financial sizes is widely used in enterprises despite certain deficiencies. The primary objections related to this approach for measuring and displaying of the business performance, are its excessive orientation to the past, short-term focus and a tendency to show profit as the main indicator of success.

An excessive focus to short-term financial performance reflects the fact that the company neglects many other important elements or resources which in the long term can play an important role in creating competitive advantage, such as new product development, modernization of the production process, employee training, etc. Therefore, taking into account the logic of modern business, according to which the “intangible” assets of the company are becoming a key source of the competitive advantage, the control of business performance should not be reduced only to the financial analysis, or analysis of the financial position and profitability of an enterprise. Over-reliance on financial indicators in the analysis of business performance can lead to an investment in the potential short-term yields, and on the other hand may cause the negligence of the intellectual or intangible assets that generate growth of an enterprise. In accordance with the above, the control of business performance should be refined using the qualitative indicators.4

The research which was conducted in order to identify the specifics of management in the SMEs, found that in such enterprises there is a practice of business control from different perspectives. Most of the managers surveyed analyze its business not only in terms of financial performance, but also from a consumer perspective, internal processes and innovation. Shown by percentage 77% of managers said that they monitor the business performance not only using traditional, or quantitative financial indicators, but also some of the non-financial measures. Viewing this in the light of the small and medium-sized enterprises, the success or failure from the aspect of non-financial nature which is extensively used in the assessment of business performance is customer satisfaction.

Results relating to the use of qualitative criteria in the analysis of business results, observed at the level of small and medium-sized enterprises are presented in Chart 6 and 7.

4 The number of new customers, frequency of orders, number of complaints, total time of interaction with customer, customer satisfaction with quality and speed of delivery, time required to launch innovations, number of customers that have not re-used the product (service), efficiency of the production process, productivity per employee, workforce fluctuation, number of received suggestions and the like.
In the category of medium-sized enterprises, in addition to customer satisfaction, as very important criteria for measuring business success are the employee satisfaction and the efficiency of the production process.

Based on the research results, it can be concluded that the management of SMEs in assessing the business performance in addition to financial indicators also relies on certain qualitative criteria. The use of qualitative criteria in the analysis of business performance
proves that the management of SMEs takes into consideration the role and importance of "intangible" assets in creating business success.

Conclusion

The competitive advantage of SMEs in Serbia is determined by a number of factors of external and internal nature. Since that the negative impact of exogenous factors has been present throughout a long period, and that the environment in which the SMEs operate in Serbia is not business-friendly, the key sources of competitive advantage should be sought in its internal strengths, primarily in the managerial skills of managers.

In the modern business environment, the growth and development of an enterprise is determined by the ability of its management to create a clear vision and mission, identify factors critical for success, analyze competition, define planning decisions and formulate methods for the efficient implementation. Only under the assumption that the management of SMEs is characterized by a proactive attitude towards events in the environment, flexibility and willingness to accept risk, there is a real chance to achieve the business success or growth and development of an organization.

The results of empirical research prove that the activities taking place in the field of planning, organization and control in the SMEs in Serbia require different approaches as compared to the solutions applied in the large systems. Authors research has shown that the planning process in the SMEs is flexible and less formal as compared to the planning in large organizations. Due to its smaller business volume in SMEs more flexible forms of organizational structure prevail, such as the simple (informal) and functional organizational structures. The control is comprehensive and enriched by application of qualitative indicators of business success, which leads to the conclusion that the management of SMEs in Serbia takes into consideration the role and importance of intangible assets in creating business success.

References

Specifičnosti upravljanja malim i srednjim preduzećima u Srbiji

REZIME – U savremenim uslovima poslovanja preduzeće, bez obzira na veličinu ili delatnost kojom se bavi mora biti planski usmeravano i vođeno. Mala i srednja preduzeća poseduju određene karakteristike koje ih čine bitno drugačijim u odnosu na velike sisteme, stoga nije realno očekivati da se proces upravljanja u ovim organizacijama dešava na istovetan način kao i u velikim sistemima.

Činjenice da mali biznis često ne podrazumeva mala ulaganja, kao i da se rukovodstvo malih preduzeća konstantno suočava sa problemom „resursnog siromaštva” navode na zaključak da je uspeh MSP prevashodno determinisan upravljačkim sposobnostima menadžera/vlasnika. Uz pretpostavku da vlasnici/menadžeri MSP na adekvatan način sagledavaju mogućnosti preduzeća, donose ispravne odluke, pronalaze efikasna rešenja u domenu organizovanja i primenjuju savremene pristupe kontroli, uspeh preduzeća ne može izostati.

Sa ciljem da se identifikuju osnovne karakteristike menadžmenta uspešnih MSP u Srbiji, u radu je sprovedeno teorijsko i empirijsko istraživanje. Rezultati istraživanja ukazuju da upravljačka sposobnost menadžera /vlasnika MSP jeste osnovna snaga ovih preduzeća, odnosno jedan od ključnih izvora rasta i razvoja. Kada je uticaj eksternih faktora vrlo nepovoljan za razvoj biznisa, menadžment kao interni resurs organizacije sve više dobija na važnosti u kreiranju poslovnog uspeha i konkurentske prednosti.

KLJUČNE REČI: MSP, upravljanje, planiranje, konkurentska prednost, organizaciona struktura, liderstvo, kontrola

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