ANALYSIS OF POSSIBILITIES FOR IMPROVING SERBIAN COMPANIES’ BUSINESS ACTIVITY

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Abstract. The subject of this paper is the quality improvement analysis for Serbian companies in global conditions of livelihood and key factors for accomplishing competitive market leadership. Serbian economy by analysis cannot be competitive without the fulfillment of the most important condition which is competitive products that meet modern world market requirements. To meet the requirements, it is necessary for Serbian companies to change their way of thinking and implement world achievements in organisation and management areas. Serbian companies that continuously apply current methods and management techniques have significantly higher chances to strengthen their competitive capability on the international market. They are securing a stable market position with a perspective for market rise. This paper is trying to find the significance of the mentioned relations in the conditions of relatively insufficient application of new technology and management of knowledge in transitional economies like Serbia by using theory performance and analysis. The ultimate business goal for Serbian companies is to reach business excellence and world class products.

Key words: management, competitiveness, business, quality, analysis

JEL Classification: M21, O12, R11.

INTRODUCTION

Business in enterprises today is carried out in global market conditions in which competitiveness is imposed as an imperative of their survival, growth and development. Accomplishing business excellence and world class products and services is the foundation goal of business for all enterprises, including Serbian companies.
In that sense managers of Serbian enterprises need to be pointed out for their multi-year, breathless focus on operative excellence, changes, restructuring and lowering the costs of business. If desired results are not achieved, primarily raising the level of competitiveness, the approach to business is expected to be changed.

It is necessary to change the way of thinking in the way that success, operational excellence and cost efficiency are not the key to all business problems like it was thought earlier. The focus needs to be changed to reaching the highest possible growth and highest business profit. Managers need to be determined to use maximum potential of their companies to succeed in the global fight for world market ranking. The success of Serbian enterprises’ business missions are conditioned by the capabilities of management and leadership. Management and leadership departments need to recognise requests and possibilities of aimed markets and they need to be flexible in reacting to competitors’ actions. Reintegration is a complex and responsible task. It is a process in which they need to be qualified for successful competition in the international marketplace.

Aggravating circumstances that stand in the way of Serbian companies to become included in the paths of international economies are the economic crisis and long-standing absence from the global market, which are the consequences caused by international isolation of Serbia - the invisible wall of sanctions. In those conditions, there were inadequate treatments from foreign markets in planned strategy of growth and development of Serbian enterprises (Djordjevic, 2014).

Company managements did not dedicate themselves to the analysis of international competition, because they were looking at the global plan from a distance.

Radical changes of business functions need to be accepted to create good conditions for the international Serbian enterprise scene. They need to be included in European integrations processes. The changes imply a complete market transformation, accepting new ideas and fast reactions from foreign impulses and adjusting to changes.

The changed conditions of livelihood demand new approaches to organisation management studies today as well as different approaches in business practise. There are different models of business and managing enterprises. The new premise which is founded on purview of contemporary management defaults its full state of operation. Management needs to cover the whole process of business, as well as focus on the results and performance in the whole economy chain.

New conditions of business impose many challenges for management which are noticeably different from the usual ones. Taking into account the faster pace of changes, there is an increase of the number of companies that are located on the wrong side of the chart. Also, there is an increasing number of companies that are tangled in net value and economy systems in which they only have partial control. There is a fast decrease of strategy lifetime. The Internet is changing the focus of manufacturer and consumer negotiating strength. Irregularities in business in synergy with destructive effects of new technology is significantly removing the barriers for entering different industries. Global livelihood conditions and lower communication costs are making the way to new industrial branches for strong pricing and for the new competitors on the market.

For an organisation to succeed in business, it needs to establish, maintain and develop competitive market leadership and it needs to be ready to learn constantly. Enterprises have to monitor changes not only on the market but also in science to reach the desired business excellence. Next to general market signs and information that relate to user requests and the level of their satisfaction, special attention needs to be dedicated to
competition analysis. Profitable activities attract competitive companies. Enterprises are forced to research not only direct competitors but those who are the best in their areas. All employees need to be involved because competitive advantage is very important for profitability and for company survival.

This paper analyses international business environment quality and the competitiveness of national economy in the conditions of global changes in the area of business market. The point is that the foundation of corporative analysis is identified by the activities for business quality improvement for national enterprises and their commitment for competitive functioning in the world market.

1. INTERNATIONAL COMPETITIVE SURROUNDINGS

The end of the 20th century marked the turning point in which enterprises from all over the world had to start thinking globally (Kotler and Gary, 1996). Changes are present in the environment. Globalisation and modern technologies are key forces that design the new level of links in world economy. That strong link between development of global market and technological development is a necessity. Technology and knowledge development provides spreading of ideas, knowledge, flows of goods and capital worldwide. The planet becomes a unique market in that way that many industries and enterprises see their growth perspective and developments only in world margins. The processes of economy integrations become predominant.

For manufacturers in some countries, globalisation means that they get their resources from other countries as well as exporting their product to other countries as often as possible. Their competitiveness is based on key skills of organisation and individuals that constantly improve their knowledge. Successful organisation is a gathering of all individuals. Strategy creation is started by collecting objective and quality information from the market by enterprises using their experience and knowledge. Learning from other findings and from the best in the group must be implemented in the concept of managing quality regardless of the model of quality.

To achieve desired business success, next to general market indicators, it is necessary to provide information related to user requests and the level of their satisfaction as well as information about competitors (Hamel and Breen, 2007). Technology gives fast, reliable and cheap transfer of information worldwide, regarding informing relevant company management about the changes in the surroundings.

Changes in the area of market operations on the global level directly influence the process of managing an enterprise while the increase and intensifying of the competitive fight is the key result of the globalisation process. It is very hard to get and maintain competitive market advantage in that kind of surroundings (Porter, 2007). Competitive advantage comes from the value that a company is able to make for their buyers, which exceeds the costs of its creation.

To get the business to expand, open new markets, and establish realistic competitive long-term goals, enterprise business quality excellence is an imperative. All manager efforts must go towards reaching that goal. A new organisation needs to focus on new (unconquered) market segments. They need to focus their energy on them, satisfy their needs and exploit them in the market.

The numbers and diversity of technological and other changes that already happened in the business environment by the end of the last and the beginning of this century have
influenced companies to give close attention to studying the environment. Strategic variants that would help them form, preserve and develop competitive advantage in international marketing. Every state and economy in transition must contain international orientation in management to bring down all barriers. By introducing new technologies, they are turning to strategies that are aimed at buyers and users making competitiveness stronger than ever before (Maksimovic, 2012).

The appearance of newly industrialised countries that are becoming global competitors (China, India and Brazil) and then changing the order of countries in the sense that China and the USA have informally taken over from the first economies of the world by 2014, has changed the model of competitive relations which dominated near the end of the last and the beginning of this century.

Fast market globalisation, the rise of newly industrialised countries, and especially the effects of the world economic crisis were making new competitive relations on the world market. That means that global competitive relationships are changed and established on different foundations. Developed West economies have lots of problems in overcoming negative effects of the economic crisis. Markets that are uprising, like China, have become dominant in the world economic growth.

Most markets in the world are in the mature phase and satiated except for the markets of the newly industrialised countries like China and India. It is in these countries today, China primarily, that the rates of economic growth are significant while the rates in most other countries are small (most countries are below 2%). China today is the fastest growing economy in the world. A great number of newly industrialised countries like India, Indonesia, Turkey, the Republic of South Africa, Mexico, and so on, are seriously starting to take part of the most developed world market countries of the world. Considering the effects of global economic crisis in the next years and the inevitable phenomenon of modern economy - inflation, it is to be expected that most countries of the world would have low rates of economic growth. The distribution of economic resources is very unequal - countries with most world capital at their disposal belong to the group G7 (8). The economy growth prognosis is not optimistic.

Competitive expenses of management and business oriented environment are encouraging investments and creating security in every economy. That environment is needed for Serbian economic subjects to attract foreign investments and rise the level of competitiveness. According to the Conference of United Nations Trade and Development UNCTAD (2013) report, the direction of investment activities shows that for the first time, in 2012, countries in development and economies in transition had more success at attracting foreign direct investments from developed countries. From the global perspective stagnation from foreign investments were 1.65 billion US dollars in 2011 to nearly 1.35 billion US dollars in 2012, after 1.14 billion US dollars in 2009 (and that was 23% less than in the pre-crisis period 2005-2007).

According to “Foreign direct investment report for 2013” (“The FDI Report 2013“) the number of SDI projects has plummeted by 16.38% in 2012, while in 2011 a growth of 8.54% was noted compared to 2010. A small amount of direct foreign investments is explained by slower economic growth in China. That led companies to lower capital intensive investments. According to this report, Europe SDI fell by more than 20% and that was most felt in Germany, Poland and Spain recorded a growth of influx by foreign investments. According to UNICTAD, smaller influx increase of SDI is expected in 2014 when the level of SDI could reach 1.6 billion US dollars and 1.8 billion US dollars in
2015. Certain risks still remain. The weakness of the global financial system, lower growth in the EU and significant political insecurities in areas that are key for investor trust (http://blog.vip.org.rs/?p=304).

Global competitive relations are even more burdened by negative operation effects of the world economic crisis. Notable investments have only attracted developing countries in Latin America (Chile, Mexico) and southeast Asia in which China exceeded 120 billion US dollars. Hong Kong attracted 75 billion US dollars and Singapore 57 billion US dollars. Foreign direct investments on the market of India have fallen by 27.4% in 2010. The influx to Africa was lowered by 14.4%. Best hosts for SDI between 2013 and 2015 were again China and the USA, then India, Indonesia, Brazil, Germany.

There is no exit from the current economic crisis for now. Maintainable growth of foreign direct investments will demand solving the debt crisis in Europe, safety policy in the USA and greater political stability in the Middle East and parts of Africa. There is little probability that there will be growth in foreign direct investments before the end of 2015. The world is functioning in conditions of economic depression. The only defence from economic collapse is understanding its logic. The globalising world is faced with noticeable different opinions. Globalising market is opening perspective to unimaginable wealth. At the same time it is increasing its vulnerability and danger from new fears between those who are a part of globalised world and those who are not. That leads to political restlessness and war confrontation.

All functioning aspects come to the fore that encourage competitive enterprise value. Business is done on a global plan and it is increasing the intensity of competition. Reaching business excellence is the result of functioning from all business functions.

2. COMPETITIVE ANALYSIS OF SERBIAN ENTERPRISES’ BUSINESS ACTIVITY

It is known that without question, most Serbian enterprises today are not competitive enough on the global market. Serbian economy is located on a notably lower level of development in relation to the one that was 20 years ago. It is exposed to far stronger competitive pressure than before. Low level of competitiveness is found as a consequence of low business productivity and insufficient application of new technology and knowledge (Miletic, 2009). The situation is similar in large number of enterprises that come from countries in transition.

It was observed that Serbian enterprises were not competitive on the international market during the 80s and the beginning of the 90s. Those enterprises that in monopolised national market conditions somehow got through to the international market made results thanks to overwhelming costs by unproductive business on home consumer.

The low level of Serbian enterprise capability has once again stood out in the works of global economic crisis. According to the new list of 2014 World economic forum, Serbia occupies 94th place out of 144 countries that were analysed. That is a leap by seven places, considering that four countries were not analysed. Serbia was in the 101st place in 2013. In 2012 and 2011 it occupied 95th place, which means that there was a fall in the level of competitiveness. An interesting fact is that Serbia found itself in company with Argentina this year (104th place). Greece, which was equal last year (96th place), had now strengthen its competitiveness (91st place). As far as surrounding countries are concerned, Bulgaria is 62nd, Hungary 63rd, Romania 76th and Albania 95th. The position of other countries in the surroundings is shown in Table 1.
Table 1 Rank of some Balkan countries according to competitiveness in 2008-2013

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<td>Montenegro</td>
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<td>60</td>
<td>72</td>
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<td>Slovenia</td>
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<td>45</td>
<td>57</td>
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<td>62</td>
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<td>Croatia</td>
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<td>FYROM</td>
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<td>79</td>
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<td>73</td>
<td>63</td>
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<td>Serbia</td>
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<tr>
<td>Bosnia and Herzegovina</td>
<td>109</td>
<td>102</td>
<td>100</td>
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<td>Albania</td>
<td>96</td>
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<td>Greece</td>
<td>71</td>
<td>83</td>
<td>90</td>
<td>96</td>
<td>91</td>
<td>81</td>
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1) Report included 133 countries; 2) Report included 139 countries; 3) Report included 142 countries; 4) Report included 144 countries; 5) Report included 148 countries; 6) Report included 144 countries.

Source: WEF 2007-2013

Low business productivity, very little investment in research activities and inappropriate use of business quality improvement concept stood out before all other factors as key reasons for Serbian companies’ uncompetitiveness on the global market (Trbovic, 2011). Low quality, small number of products that were adjusted to international standards, series of small quantities, unattractive design and packaging, old technologies and high prices of products are the main reasons why Serbian products cannot compete with global market leaders’ products and newly industrialised world companies.

National companies are doing business with very old equipment. According to Serbian Chamber of Commerce, the average age of equipment is 29.5 years. Serbia is lagging behind the European Union in technology by at least 20 years. For example, the average age of machines and equipment in Austria is 8.5 years. This country has similar natural, social and population characteristics when compared to Serbia, so it is good for comparison. Compared to this country, Serbia is lagging behind by 21 years (web 21). Without new equipment and the reindustrialisation of economy Serbian enterprises can hardly make goods that meet European standards (table 2).

Table 2 Age of equipment and machines in Serbian industry by economy branches.

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<tr>
<th>Economy branch</th>
<th>Average age</th>
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<tr>
<td>Textile industry</td>
<td>35.17 years</td>
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<tr>
<td>Mechanics industry</td>
<td>34.67 years</td>
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<tr>
<td>Construction industry</td>
<td>30.51 years</td>
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<tr>
<td>Chemical industry</td>
<td>28.67 years</td>
</tr>
<tr>
<td>Food industry</td>
<td>27.17 years</td>
</tr>
<tr>
<td>Pharmaceutical industry</td>
<td>21 years</td>
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</table>


Referent analysis by the Serbian Centre for economic research show that state administrative offices are effective at work for 3 hours and 45 minutes a day. Field work is 25 minutes longer. Productivity is 42% of the European average. The reason for that is bad work organisation and lack of knowledge and new technologies. The consequences are uncompetitiveness, low number of jobs and consumer decline.

Innovative activities of enterprise subjects in the Republic of Serbia were researched by the Statistical Office of the Republic of Serbia. It was published for the period from
2010 to 2012, and the sample included 3,984 enterprises. From all of the subjects, 48.1\% contributed to one form of innovation. Also, the research showed that the surveyed Serbian enterprises (regardless of the size of the enterprise) mostly aimed at organisation innovations (28.8\%). There were process innovations and marketing innovations with 25.98\%. Increasing the level of innovativeness is by all means a necessary precondition for successfully acquiring long term business success, profitability and competitiveness.

Out of all Serbian enterprises that are conducting business in the international market, the biggest number have an international certificate. According to 2012 ISO data, there were 3,650 international quality standard certificates. Enterprises that have some of the international certificates mainly belong to the group of large and medium enterprises. The application of international quality standards when it comes to small enterprises’ business activities is very unsatisfactory. It is often the case that Serbian enterprises that export goods have some of standards and certificates which shows the fact that very few of them are capable for exporting. The key argument for the low application of quality systems for national enterprises is the low material situation.

The Republic of Serbia is trying to create a qualitative surface for improving business environment with the goal of increasing competitive strength. The competitiveness sector is supporting the institutions in charge of strategic document manufacturing that are meant for raising the level of competitiveness. It is taking part in preparation and conducting of European Union projects and programs. By operative support and coordination it is helping competitive clusters by suggestions and analysis of activities for development and uprising of business conditions.

3. ACTIVITIES AGENDA FOR QUALITY IMPROVEMENT OF SERBIAN ENTERPRISES

Global environment influence is creating the need for enterprises to create competitive and innovative products and services. Without fulfilment of the most important condition which is competitive products that satisfy technical and security demands of international market, Serbian enterprises cannot be competitive. Their business orientation has to take note of strategic management and the conditions present on the global market. It is necessary not only to adjust to current changes in the given business environment, but to surpass internal barriers of organisation growth. By doing that, management and leadership will recognize the requests of targeted markets and will react flexibly to competitors’ actions. The success of the whole business mission of the enterprise will depend of it.

The openness to changes and adjustments will become the source of successful management and it will enable enterprises to function competitively. It will require:

- observing and introducing changes in the organisational structure
- changes in production and market strategies
- changes in enterprise growth strategies and management
- business connections for increasing enterprise competitiveness
- successful use of knowledge and employee training (Yukl, 1998).

Competitive international market battle is happening in quality products and pricing domain. All enterprises that want to gain a higher level of business on a global level must control and improve quality. A large number of different factors and activities on different levels are affecting competitiveness. Management has the task to identify and conduct activities that will prepare the enterprise for the highest rank in the competitive battle (Fitzpatrick and Burke, 2003; Prabalad and Ramaswamy, 2004).
Research results that analysed Serbian enterprise managers’ attitudes towards implementation of modern methods and management techniques show key interferences in development of competitiveness (Miletic, 2009).

A few of them stood out:
- old equipment and technology - 23.4%
- lack of financial capital - 21.3%
- lack of knowledge – 22.1%

Dominant missing factors for development of competitiveness of Serbian enterprises, according to managers, are:
- continuous improvement of knowledge for managers and employees
- activities related to adjusting the process of projects and manufacturing within the requests of international market -15.3%

When talking about essential factors that have an effect on improving business quality of Serbian enterprises, the surveyed managers stressed
- the need to improve employees - 28.2%
- increasing the level of business quality - 19.7%
- using modern methods and management techniques - 12.1%

The mentioned elements and limits are choosing the business ambient for the process of organisation managing. Other, not less important, factors need to be mentioned. Those factors are fulfilling the problematic picture of business quality improvement for Serbian enterprises. Problems in question are related to:
- devastating effects of the world economic crisis
- long term insufficient financial resources
- slow adoption of the modern achievements in the area of management.

It should be emphasized that efforts are made to overcome the negative characteristics of Serbian social and economic reality by finishing reforms in multiple sectors and by affirming new systems of values and business quality. Serbian enterprise managers are aware of the fact that improving employees is inevitable and that it is necessary to use modern methods and techniques of management. Quality systems must be improved especially. It is urgent because quality, price, technological level and safety is the basis of products. Serbian companies can achieve much more if they work together, like a group of connected companies, service providers and organisations that matter to their business within suitable clusters, Globalisation of business for small and medium enterprises which are dominant in Serbian economy represent a very important strategy. The request for enterprise networking is a necessity because the increase of productivity and creating innovations is needed for survival on the global dynamic market.

The problem of competitiveness improvement is basically a question of using modern methods and management techniques in which the concept of quality management has the central part. Extensive use of quality improvement concept is representing the most important factor of competitiveness improvement for Serbian enterprises, especially the wide use of series ISO 9000. Without a doubt, management standards and their use represent tools with the biggest use.

The appropriate use of knowledge represents the most important way for competitiveness improvement of home business subjects. Most of them are not adopting modern management trends fast enough. On the other side, new conditions of economy require new approach to business. Inadequate methods and management techniques have to be abandoned and modern empirical and practical achievements have to be used. Alongside with continuous education of
managers and employees. New organisation construction needs to be put to special attention. For a company to reach market success, it is necessary for it to have maintainable competitive advantage. It needs to be seen in a form of lower costs and different products. With continuous innovation strategy, long term product security and high quality services.

Changed business conditions require the use of integrated management systems as the key direction for improving competitiveness of Serbian enterprises. Wider and more adequate use of international management standards that build integrated management systems in small and medium enterprise groups (Bozilovic and Miletic, 2014). Different systems of management (quality management system, environmental protection system, health and safety systems, secure information system, food safety regulation system) can be integrated to the level that suits the most to the organisation with minimising duplicates at the same time. Any management system that Serbian enterprise uses with the aim of improving the level of business quality always has its specific elements and requests. By use of adequate specifications and resists, management system integration can achieve tangible advantages on the market related to promoting competitiveness and improved focus on business quality.

CONCLUSION

The world economic crisis whose end is in sight, has changed the conditions of business that especially relate to resource management and market competition. Business quality improvement is the foundation for improving all factors that show Serbian competitive ability in international borders. Competitive advantage cannot be achieved and maintained in a way that was before the crisis. Signposts of expected development in the competitive domain and managing an organisation are seen through rising of the innovation level, flexibility and business productivity. Without fulfillment of these conditions that require substantial funds and an envious level of knowledge for realisation it is not possible to speak of quality functioning for Serbian enterprises. Those are the determinants that set the competitiveness of functioning by the Serbian economy in international economic relations and securing integration of its companies in the international business environment.

Enterprises that actively and continuously apply modern methods and management techniques have a realistically higher chance of strengthening their competitive ability on the global market and take a stable market position with a perspective for future market growth. Serbian enterprises have to look for successful market development through clear creation of own growth strategy and by successfully implementing methods and techniques of management that support competitiveness.

Rising the level of Serbian enterprise competitiveness is under direct influence of the quality management concept for integrated management systems. Better use of knowledge in organisation, development of institutions in business environment and development of legal regulations are the key ways to act so as to add to the development of competitiveness of national business subjects.

It is very hard to have a precise evaluation of key positions and limits that define the ambient in which the process of enterprise management is happening in relation to using modern techniques of management based on the analysis of local manager attitudes. Results show that the essential problem is the lack of funds, effects of the world crisis and the lack of knowledge. As the level of business quality is rising, their integration in the international business environment will define the functioning efficiency of Serbian economy.
ANALIZA MOGUĆNOSTI UNAPREDJENJA POLOVANJA SRPSKIH PREDUZEĆA

Osnovni predmet ovog rada je analiza mogućnosti unapredjenja kvaliteta poslovanja srpskih preduzeća u globalnim uslovima privređivanja, kao ključnog faktora za postizanje konkurentne prednosti na tržištu. Sve analize ukazuju da spska privreda ne može biti konkurentna bez ispunjenja najvažnijeg uslova, a to su konkurentni proizvodi koji zadovoljavaju sve zahteve savremenog svetskog tržišta. Da bi domaća preduzeća postala konkurentna u međunarodnim okvirima, neophodno je da promene način razmišljanja i implementiraju svetska dostignuća u oblasti organizacije i menadžmenta.

Srpske kompanije koje aktivno i kontinuirano primenjuju savremene metode i tehnike menadžmenta imaju znatno veće šanse da ojačaju svoju konkurentnu sposobnost na međunarodnom tržištu i da osiguraju stabilnu tržišnu poziciju sa perspektivama za očekivani tržišni rast.

Ovaj rad pokušava teorijskim izvođenjima i analizama da utvrdi signifikantnost navedenih relacija u uslovima relativno nedovoljne primene novih tehnologija i menadžment znanja u tranzicionim ekonomijama kao što je Srbija. Dostizanje poslovne izvrsnosti i svetske klase proizvoda i usluga jeste krajnji cilj poslovanja srpskih preduzeća.

Ključne reči: menadžment, konkurentnost, poslovanje, kvalitet, analiza.