Competitive abilities and students’ entrepreneurial behaviour: The research results from Serbia

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Stimulating enterprising behaviour of the young is especially important in transitional countries faced with recession. The ambience where young people can be stimulated to start their own business is not developed enough in Serbia. Possible solutions can be education and encouragement of the young to start and perform their own business. In this study, analyses on the necessity of implementing a modern enterprise concept on the territory of the Republic of Serbia with a special attention to the role of young people and the opportunities of their involvement in enterprise activities was carried out. The results of three researches, carried out in 2008, 2009 and 2010 among Serbian students are compared and presented in this paper.

Key words: Competitiveness, entrepreneurship, knowledge, small and medium-size enterprises (SMEs), young entrepreneurs.

INTRODUCTION

Enterprise is a continuous creative process of implementing innovations in organizations (Drucker, 1996) with the aim of successful business performance and solving problems of consumers and the society as a whole. Modern organization has to be based on enterprise concept of behaviour. In order to take over innovations systematically, the company has to make the appropriate organizational structure which enables employees to behave enterprisingly. In other words, to implement a system of relations and connections which will make enterprising behaviour a focus for the organization.

Enterprising behaviour in a modern organization is not related only to one person and his/her abilities and experience but is, more and more, related to the team work. As a result, a model of corportative enterprise (Zahra, 1991; Block and MacMillan, 1993; Zahra, 1993) which initiates team work has been developed. The members of the team are motivated to work on achieving success and accepting risks. Big companies have to initiate enterprising behaviour in order to overcome problems which occur while learning how to work with partners and collaborators.

According to Drucker’s opinion (2005), every big company must be able to do three crucial things simultaneously that is, to improve, to expand and to innovate. Drucker says that though he still hasn’t seen such a company, there is a great number of companies working on it.

Great number of developed countries respect the following principles that are valid for labour market, especially when the young and their employment are in question: Unemployment of the young is greater than unemployment of adults and the rates are at least doubled; increase of formal education of the young is becoming more important and this trend will continue in the future; young people are afraid of getting married because of social insecurity so they decide to get married later; participation of women in employment is more noticeable; labour market’s programs for the young generally have small rate of return, according to the International Labour Organization (ILO).

State administrations of developed countries are trying to find the new solutions for employing the young whereas development of enterprise abilities and self-employment are especially emphasized as opportunities for individuals to define their own model of business and

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Analyses of competitive abilities of Serbian companies

Competitive position of Serbian companies in terms of a good reputation in the world market is extremely bad. Serbian companies mostly do not invest in appropriate business efforts in building good reputation, though it is an element which influences their market position and competitive abilities. According to global index of competitiveness of world economic forum (Schwab et al., 2009), Serbia ended the year of 2009 as 93rd country out of 133 countries (Table 1). Slovenia, Montenegro, Croatia, Macedonia, Hungary, Romania, Bulgaria, and countries such as Panama and Khazastan are better positioned than Serbia. Only Bosnia and Herzegovina is behind Serbia, taking 109th place.

Old-fashioned technology, poor quality, unattractive packaging and high prices are the main reasons for bad competitiveness of Serbian products even in the nearby surroundings. The least competitive are manufacturing industry, producing metal and electronics, where technological innovations have not been marked for years. Business people consider that import and tax relaxations, reducing state taxes, as well as prices for electrical energy, gas and petrol are necessary for increasing competitiveness. It is crucial to raise the level of technological equipment, because the average age of machines in Serbia is 30 years. Comparing to the region, the delay is about 12 years. Serbian economy has technological delay of 29.5 years comparing to EU. This is proved on representative sample of 154 small, medium and big companies within six economy branches with similar production programmes ('The Serbian', 2009).

The comparison of textile, food, pharmaceutical, mechanical and chemical industry, as well as of building material industry was performed. Austria was taken as a criterion because of its similar natural, social and population characteristics in relation to Serbia. Companies from the field of textile fall behind mostly (35 years), and are followed by the companies dealing with mechanical industry (34.5 years). Pharmaceutical companies are the best positioned, with 21 years of delay. South Serbia (41 years) is in worse position in terms of regional observation, equipment, tool and other manufacturing means, and the best situation is in Backa (18.5 years). Belgrade has marked the delay of 20.5 years.

According to data from The World Bank, market of the Republic of Serbia is also poorly positioned. The World Bank has for the 7th time published a report “Doing Business” whose aim is to rank the countries according to the quality of bussiness surroundings. Unlike similar reports which mark regulations, “Doing Business” marks business practice (Table 2).

In the last five years 80% of Serbian economy growth has been based on three sectors, namely finance, trade and telecommunications but there is no direct export from these sectors. Similar trend can be noticed in other developing countries too. In order to stimulate export, direct investments in production sector are necessary. Comparing to the countries in Central and Eastern Europe, Serbia is a country with the smallest participation of foreign direct investments. Serbia is behind Romania, Poland and Bulgaria, the countries which are among ten most attractive locations for investments.

According to the data of international organization for standards, in 2008 there were 2091 organizations in the Republic of Serbia which implemented quality management system according to the requirements of international standard ISO 9000 (according to the ISO survey for

### Table 1. Ranking of the countries of West Balkans according to competitiveness in 2009.

<table>
<thead>
<tr>
<th>Country</th>
<th>Place</th>
</tr>
</thead>
<tbody>
<tr>
<td>Slovenia</td>
<td>37</td>
</tr>
<tr>
<td>Montenegro</td>
<td>62</td>
</tr>
<tr>
<td>Croatia</td>
<td>72</td>
</tr>
<tr>
<td>Macedonia</td>
<td>84</td>
</tr>
<tr>
<td>Serbia</td>
<td>93</td>
</tr>
<tr>
<td>Bosnia and Herzegovina</td>
<td>109</td>
</tr>
</tbody>
</table>
2008 (ISO, 2009). Regardless of the number of organizations who have implemented the system and the development of the quality movement in Serbian economy, general results are still unsatisfactory. The results of the research dealing with analyses of competitiveness in Serbian companies (May-June 2007, market of Republic of Serbia) highlight the following:

1. The interviewed respondents stated the following main obstacles in the development of competitiveness in Serbian companies: Lack of knowledge (24.8%), old-fashioned equipment and technology (24.1%), inappropriate usage of modern methods and techniques of management (16.54%), insufficiently stimulating business ambience (8.27%), lack of financial means (8.27%) and internationalization of business in Serbian companies (2.34%).

2. The interviewed respondents noticed the following necessary elements for developing competitive abilities of Serbian companies: Permanent improvement of knowledge both of executives and employees (20.74%), standardization of business quality (20%), development of enterprise culture in business surroundings (17%), investments in development of national brands (14.8%) and developing the concept of corporate enterprise of the organization (8.88%) (Sajfert et al., 2008).

**Enterprise development and analyses of conditions in Serbia**

For successful transformation of the economy, going from plan to market, it is important to strengthen private sector and its future development. The development of small and medium-size enterprises (SMEs) is very significant for privatization because it enables acceleration of privatization. SMEs represent autochthonous private sector and they enable the development of Serbian private capital (Djordjevic et al., 2002).

Development of SME sector represents one of basic priorities in our economy. Serbian Government adopted the strategy for development of competitiveness and innovations of SME for the period from 2008 to 2013. This strategy should contribute to further strengthening and efficient use of developing potentials of SME sector which will have positive effects on economic growth of the Republic of Serbia. This direction should contribute to the increase of competitiveness and exports, to further strengthening of companies' capacity, dynamic development of employment and to more equal regional development.

In the Republic of Serbia, small and medium-size enterprises participate in total number of companies with 99.8%, 65.5% in employment, 67.6% in turnover, and about 36% in gross Serbian product. In total export the sector SME participates with 50.2%, 64% in import and 51.2% in investments in non-financial sector. Micro companies are dominant in SME sector with participation of 95.6% from the total number and they employ almost 50% from the total number of employed, according to the Official Gazette (2008).

According to the 2009 data, in the Republic of Serbia almost 40,000 small businessmen closed their business, among them 3,455 are economic organizations and 34,909 enterprise shops. The reasons for closing business are, according to them, heavy state strain, slow payment, lack of favourable credits and high interest rates. According to the survey carried out by National Agency for Regional Development the main problems for businessmen are lack of means and administrative obstacles. In practice, business people have problems with liquidity and impossibility to charge claims and, simultaneously, the state forces them to pay their obligations in certain time. The consequences are heavy banking debts and their further degradation.

In order to support start-up business, the Serbian Government passed the programme for favourable financing of the beginners. The planned amount for start-up financing is 2.2 billions dinars. From 2007 to 2009, 6,625 new companies were opened and 21,121 workers

### Table 2. Ranking of West Balkan countries according to the report of the World Bank for 2009 (Paunovic, 2009).

<table>
<thead>
<tr>
<th>Country</th>
<th>BIH</th>
<th>CRO</th>
<th>MK</th>
<th>MNE</th>
<th>SRB</th>
<th>SLO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total index</td>
<td>116</td>
<td>103</td>
<td>32</td>
<td>71</td>
<td>88</td>
<td>53</td>
</tr>
<tr>
<td>Start-up business</td>
<td>160</td>
<td>101</td>
<td>6</td>
<td>85</td>
<td>73</td>
<td>26</td>
</tr>
<tr>
<td>Building licence</td>
<td>136</td>
<td>144</td>
<td>137</td>
<td>160</td>
<td>174</td>
<td>59</td>
</tr>
<tr>
<td>Employment</td>
<td>111</td>
<td>163</td>
<td>58</td>
<td>46</td>
<td>94</td>
<td>162</td>
</tr>
<tr>
<td>Registration of estate</td>
<td>139</td>
<td>109</td>
<td>63</td>
<td>130</td>
<td>105</td>
<td>108</td>
</tr>
<tr>
<td>Receiving credits</td>
<td>61</td>
<td>61</td>
<td>43</td>
<td>43</td>
<td>4</td>
<td>87</td>
</tr>
<tr>
<td>Protection of investors</td>
<td>93</td>
<td>132</td>
<td>20</td>
<td>27</td>
<td>73</td>
<td>20</td>
</tr>
<tr>
<td>Paying taxes</td>
<td>128</td>
<td>39</td>
<td>26</td>
<td>145</td>
<td>137</td>
<td>84</td>
</tr>
<tr>
<td>Trade across the border</td>
<td>63</td>
<td>96</td>
<td>62</td>
<td>47</td>
<td>69</td>
<td>84</td>
</tr>
<tr>
<td>Conducting contracts</td>
<td>124</td>
<td>45</td>
<td>64</td>
<td>138</td>
<td>97</td>
<td>60</td>
</tr>
<tr>
<td>Closing business</td>
<td>63</td>
<td>82</td>
<td>115</td>
<td>44</td>
<td>102</td>
<td>40</td>
</tr>
</tbody>
</table>
employed by the help of Ministry for Economy and Regional Development, National Employment Office and Fund for Development, which indicates justifiability of this programme. Entrepreneurs can also apply for start-up credits in the amount ranging from 500 thousand to 1.3 million dinars, with annual interest rate of 2.5% and maturity payment date from 3 to 5 years, with delayed payment period of one year.

According to the data of National Employment Office, in February, 767,418 unemployed persons were registered, which is a rise of 16,000 persons comparing to the January. The data from 2009 also show that young people make 26.7% out of the total number registered and that the biggest group is comprised of the young from 25 to 29 years of age, or 94,380, behind them are those from 20 to 24 years of age, or 78,640 of them. These data about unemployment point out the fact that financial means offered by the Serbian Government are not sufficient to include all those who need them. The problem especially concerns people who represent the most important resource of the society.

Unfortunately, the young do not have enough business experience and serbian firms hardly employ them. Because of that, Serbian Government decided to support financially the firms which employ a certain number of unemployed people by giving them free means and it started the program for employing young people "The first chance 2010". In other words, the aim of this program is to provide young unemployed people with voluntary work lasting three months in a company and also to give them an opportunity to work for 12 months in order to get a professional practice as trainees.

ANALYSES OF RESEARCH RESULTS IN ATTITUDES OF STUDENTS CONCERNING START-UP OF THEIR OWN BUSINESS

"The analysis of attitudes and opinions of the young concerning start-up of their own business" research was carried out from November to December of 2010, on the sample of 580 students directed towards management. Similar research was also carried out in 2008 and in 2009, including similar number of students (520 and 506, respectively) and similar structure of the interviewed. Its results are used, here, as relevant for the purpose of comparison and completing the picture about the research theme.

Results of the research from 2010 point out that most students (80.62%) have a desire to start their own businesses but most of the surveyed students cited lack of funds (29.43%) as a reason for not doing so as well as uncertain political and economic situation (20.38%), indicating that some financial incentives from the state are still insufficient for encouraging young people to start their own businesses.

The surveyed students were mostly (68.57%) facing its own funds in the function of starting their own businesses. The reason for this attitude of students can be seen as a consequence of lack of confidence in banks and other institutions that offer funding for starting a business. However, it is interesting that the other most represented response was associated funds (13.47%), which tell us about the heightened awareness among young people for the merger of funds. Specifically, in this way you can create significant start-up capital that will allow a better perspective for young entrepreneurs. In support of this statement, 54.17% of the students said that start-up loans of commercial banks are not favorable. In fact, it was believed that the start up loans from commercial banks was burdened with high interest rates (48.07%) and long process to obtain funds (18.53%). The data obtained in a similar survey carried out in 2009 and 2008 shows that students (53.74 and 54.03%) are not satisfied with the conditions of start-up loans due the high interest rates (80.38 and 33.79%).

Research from 2010 showed that more than half of surveyed college students (51.03%) were not informed of the existence of financial incentives for starting a business. However, according to research even 53.98% of students are interested to become beneficiaries of these funds. Therefore there is an imperative need for the youth to be timely informed through the media, public presentations at colleges and universities. Specifically, in this way young people receive accurate information about loan terms, as well as the way of obtaining it. In these promotions, it is necessary to join the Chamber of Commerce of Serbia, Belgrade Chamber of Commerce, National Bank of Serbia, Serbian Bank Association, the National Agency for Regional Development, Ministry of Youth and Sport and other institutions that aim to support youth employment and train them for starting a business.

Interviewed students reported that they lack the knowledge of the basics of entrepreneurship and small business (23.11%), foreign languages (21.60%) and basic finance and accounting (21.45%). The first two categories are expected, but it was positive that students understand that to manage their own business beside the basic knowledge to run a business, you need language skills. Specifically, for the successful businessman it is the crucial skill of communication within the company, as well as with business partners.

In the opinion of students (80.00%), the Republic of Serbia is currently not a suitable environment for encouraging youth to start their own businesses. The students listed the following constraints that hinder them: Lack of funds (32.26%), unstable political and economic situation (29.75%) and very high taxes (20.30%). Students in the survey carried out in 2008 and 2009 expressed the dissatisfactory (88.08 and 78.70%) atmosphere for encouraging young people to start their own businesses. Factors that hinder them in starting their own businesses are similar to surveys in 2008 and 2009, only a different order: The unstable political and
Table 3. State ways of support for start-up business.

<table>
<thead>
<tr>
<th>The Way</th>
<th>Research from 2010 (%)</th>
<th>Research from 2009 (%)</th>
<th>Research from 2008 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promotion of the youth concept as entrepreneurs</td>
<td>13.22</td>
<td>25.38</td>
<td>26.86</td>
</tr>
<tr>
<td>Favourable credits</td>
<td>28.70</td>
<td>23.08</td>
<td>13.14</td>
</tr>
<tr>
<td>Market regulation</td>
<td>12.22</td>
<td>16.15</td>
<td>14.71</td>
</tr>
<tr>
<td>Laws/regulations concerning the young as entrepreneurs</td>
<td>15.65</td>
<td>14.42</td>
<td>11.76</td>
</tr>
<tr>
<td>Education and development of new business centers</td>
<td>19.33</td>
<td>10.38</td>
<td>15.10</td>
</tr>
</tbody>
</table>

economic situation (29.92 and 36.54%), long and complicated registration procedures (21.62 and 13.75%), and excessive taxes (35.52 and 10.02%). Based on data obtained from these three studies it can be seen that a precondition for improving the SME sector is the creation of adequate environment that will stimulate the creation of the new and develop the existing SMEs. However, for a creation of an adequate environment, three elements are required: Laws / regulations, institutions and associations of entrepreneurs. In this sense, we require a consensus between the state and its institutions and the associations in order to create an adequate environment.

The greatest number of the interviewed in 2010 research, about 90.33% of them, thought that the state should have a key role in stimulating the young for starting-up their own business. The interviewed selected the following ways of support as very important: Favourable credits and education. This attitude supported also about 90% of the interviewed students in 2008 and 2009 research. The ways of supporting are the same, but the priorities are different (Table 3).

Since 2000 Serbian Government enacted several strategies for SMEs development and entrepreneurship, action plans, but unfortunately did not make a single strategy to encourage young entrepreneurs. Without such a document one can hardly speak about the proper environment for encouraging young people to entrepreneurship. In addition, institutions that deal with the problems of SMEs and entrepreneurship do not have a separate sector for young entrepreneurs or special program. They use the same practice for all who wish to start their own business, regardless of age and years of service. In the economic study, "Post-Crisis model of economic growth and development of Serbia 2011 to 2020," in part related to project employment and labor market trends, there is no assessment related to youth employment in the period from 2010 to 2020. Therefore, a good message to potential young entrepreneurs was not given.

The developed countries, as well as EU, have special programmes for stimulating the concept of the young as entrepreneurs. Within these programmes there is cooperation among many institutions and the result is practical education of the young for managing companies. The young people who do not have such experience find it hard to deal with it but efforts should be taken to improve that.

DIRECTIONS FOR DEVELOPING ENTREPRENEURSHIP BEHAVIOUR ON SERBIAN MARKET

The aim of the global economy is to enable the regions to bring the wealth from the rest of the world. According to Ohmæe (2007) the regions should be equipped with highly educated and disciplined people led by a visionary leader and able to communicate with the rest of the world. Some of those regions are Hainan island (south of China, province Guandong), Vancouver and British Columbia (Canada), Estonia, Ho Shi Min City (Vietnam), Primorska and the island Sahalin (Russia), Sao Paolo (Brazil), Klushu (Japan).

American marketing professor of Indian origin, Mahajan, the author of the world marketing bestseller “Solution for 86%” says: “The state doesn’t make business opportunities. Entrepreneurs make these chances. Whatever the state does it must stimulate enterprise. It is very important which entrepreneur has better idea, who knows to realize it better. Enterprise in not a monopoly of the French, Americans, Chinese, Germans and Indians. The region of the West Balkan is full of entrepreneurs. The problem lies in the fact that these Balkan countries are very small. They have the challenge how to improve in the future. For their further growth they should have global vision, they must turn around and see the rest of the world and find the opportunities on the global level” (Ringier et al., 2009).

Serbia has all pre-conditions to become one of these regions in the near future, if Serbian business men change their business philosophy very soon. The owners of capital and executives are those who should establish new elements of competitiveness in Serbian companies. It is necessary to overcome the old-fashioned policy and techniques of management and to accept modern management methods, as well as to learn from experiences of global leaders and the companies coming from newly industrialized countries which are exceptionally successful on the global market.

According to some opinions (Djordjevic et al., 2003),
On the other hand, if we are weak inside, every outside opportunity will be considered as a problem. National economy which supports enterprising behaviour creates conditions for increasing productivity through investments in personal abilities of individuals in the society, as well as in every company, no matter the kind of the organization or the character of ownership. Young people are interested in start-up of their own business all around the world.

Serbian companies have been insufficiently competitive on the international market in the last ten years, and the consequences of the world economic crises have even made the things worse. The competitors of Serbian companies are not only the companies from developed countries, especially from EU, but the ones coming from newly industrialized countries like China, India, Brazil, Mexico, Turkey, etc. Serbian companies have to create their own development strategy more clearly and to harmonize it with European and global trends. They also have to use modern management methods and techniques, such as integrated management systems, relationship marketing and corporative social responsibility which represents the basic precondition for successful market development.

The results of this research point to the fact that the state must have the key role in this sphere of Serbian market through a creation of certain documents whose aim is promoting the concept of the young as entrepreneurs. Universities, Serbian Chamber of Commerce and its regional offices, appropriate departments and entrepreneurs associations must be included in these projects.

**REFERENCES**


