

Management of public companies in Serbia

Abstract

The state of management and managers of large enterprises in Serbia is not satisfactory, both in terms of an understanding of their essence and of their position, role and importance in economic and social life. Management is largely bureaucratic and politicised. Morally speaking, it is at a very low level, considering that managers are mainly placed in key managerial positions on the basis of their political affiliation and, in order to prove their loyalty, they must fulfil extremely unfair and inhumane requirements which brutalises their approach to subordinates. The authors review some of the shortcomings of Serbian managers in public companies which include: insufficient knowledge of finance and accounting; lack of computer skills; lack of communications skills; and an inadequate level of general knowledge. The article concludes by pointing to the response to crisis being the cutting of expenditure; in Serbia, the reverse is necessary if enterprise managers are to achieve the role they are called on to adopt in levering the Serbia economy out of crisis.

Keywords: management of public companies, political affiliation, education and training, managerial characteristics, leadership skills, production orientation, financial skills, IT skills, communications skills, economic development

Introduction

The state of management and managers of public companies in Serbia, in contrast to the situation in industrially more developed countries, is unsatisfactory, both in terms of an understanding of their essence and of their position, role and importance in economic and social life.

For a long time, management in our country has not been seen as a profession, as it is in other countries, but as a certain function – like, for example, the political function. Therefore, managers have not been understood as people who must have certain level of education, knowledge, skills, competence and permanent commitment to the work they do.

There has long been an understanding that the function of executive director is given to managers in honour, in recognition for their work, and they understood and used it as a chance for their further social promotion and advancement in their careers. To perform such a function, they did not need hard work, knowledge, expertise or creativity, but absolute obedience and loyalty and a desire strictly to fulfil the wishes and orders of those who gave them these functions. In the one-party system, the essential factor in their appointment was a ‘moral and political affiliation’ and strict respect for the interests of the social and political system they represented. With the emergence of the multi-party system, the essential factors in their appointment have become even

more rigid and more vulgar; namely, political party membership and a degree of readiness to protect and realise the interests of the party that had appointed them to the position (Petković and Đokić, 2012).

In such circumstances, political party activity and party loyalty was more important than all the other conditions: educational background; knowledge; previous experience; and results achieved. It thus did indeed happen that the director functions of major companies were bestowed on people with no more than high school diplomas or on undergraduate students; that some people's first ever job was as a departmental minister; etc. Serbia is one of the few countries where anyone can be appointed to general manager (from ordinary manual workers to doctors) as long as they are nominated by a certain political party.

Such practices were especially present in the euphoria created after 5 October 2000. The impact of this problem was all the greater since it happened in very difficult and turbulent conditions, at a point when the economy was extremely exhausted following many years of sanctions, isolation and blockade, bombing and the serious destruction of our infrastructure, severed ties with the world and lost markets. In such circumstances, when the economy needed the most educated, most experienced and most capable professionals, political figures emerged who had a lack of experience.

Of particular concern is that a solution to this problem cannot be perceived in the near future. Now that the country is slowly, but steadily, becoming more open to foreign countries, there is a small hope that the best educated, most experienced, most capable and most virtuous people will come to the right positions.

It is characteristic that, in our country, there are no specific, specialist schools and institutions for the innovation of managerial skills and knowledge. The practice among developed countries of continuing education and lifelong learning remains far from a reality in Serbia. Furthermore, professional domestic magazines that assessed the theory and practice of management and managers at home and abroad have almost all stopped being published. In the past, professional councils provided a good approach to reviewing the problems of management and managers by domestic and foreign scholars, with the presence of the most famous practitioner managers, but these have also almost completely been stopped.

Direct contacts between Serbian managers and foreign ones have become very few and far between since the period of sanctions. With the lifting of sanctions, however, contacts have been slowly rebuilt but, today, they remain at a much lower level compared to the period prior to the sanctions.

There are very few research studies into this topic in Serbia, and those that do exist tend to be partial, unsystematic and incoherent. When discussing management and managers of public companies in our country in professional circles, the results that are mostly used are those of the study *The need for managers in Serbia*, prepared by the expert team of the Centre for Management of the University of Belgrade and conducted under the direction of Professor Momčilo Milisavljević.

In this article, we use some of the results and assessments provided in this research study as a basis for our argument of the need for better management training and education.

Based on this survey's results (since the sample is considered to be representative), we can identify some of the basic characteristics of Serbian managers – chiefly: education; age; gender; and personal characteristics.

Basic structure of Serbia managers

Educational structure

Most Serbian managers (about 82 %) had a college or university degree. They are followed by specialists, masters and people with PhDs, while the share of managers with secondary education is only 1 %. Knowledge is a fundamental prerequisite of any successful manager, and Serbian managers who complete their studies go on increasingly often to gain knowledge from specialist, postgraduate and doctoral studies.

Concerning the educational background of some of our general managers, the survey shows that the biggest number of directors has a technical and economic background, followed by legal, while those with an organisational background are the least prevalent. Practice shows that the best results are achieved in firms where directors have graduated with economics. This is understandable because the main task of a manager is to ensure the best possible economic results in business. They can do it, since it is in the nature of their profession to know how to manage costs, and this is the basis of the economy.

At the same time, however, it can be seen that many directors lack knowledge of planning and organisational techniques.

When we consider the tasks they perform, we can conclude that directors are principally engaged in giving orders and on activities oriented towards managerial controls, while they spend least time in co-ordinating, directing and synthesising opinions.

When it comes to educational structure, the degree of education of managers is very important, but the university from which they graduated also matters immensely. It is natural that the faculties of the University of Belgrade provide the most knowledge (considering the tradition, teaching staff, equipment and the like) compared to the same faculties of other universities in the country.

Age structure

The average age of the general manager in Serbia is 46. This is relatively good, considering earlier periods when the age was much higher. The tendency is, throughout the world, and including here, that the age of managers is increasingly moving downwards. And that is good: practice shows that younger managers are more creative, braver, and more decisive and energetic, while they work faster and are quicker at decision-making. And what is very important, they are young, healthy and unencumbered with various negative results from the past.

The average age of Serbian managers is higher in state-owned than in private companies. This suggests that older, more experienced managers are well-established there and that young people cannot penetrate so quickly. It also means that private owners gladly employ younger managers because younger managers are willing and able to follow the dynamic changes that are much more common in new, smaller private companies compared to state-owned companies.

It is interesting that the average length of managers' working life is 21 years. The average length of service in leadership positions is about 12 years. These managers have spent, on average, three years abroad, where the length of stay is very different – from one to 22 years. Spending time abroad is extremely important because there is a lot to see and learn from other nationalities and cultures. Furthermore, people are able to assess their abilities and their position, because things can be properly assessed only when compared with those in the same situation abroad.

Information on the social background of managers is also interesting. Thirty per cent originate from working class or farming stock; the parents of 25 % of managers had an office job; the parents of 15 % have a university degree; and the rest are from other social backgrounds.

Gender structure

The gender structure of Serbian managers is unfavourable to women. Serious research, including specific measures and actions, have not been carried out in this area and certain data show a highly unfavourable position for women. Data from 1981 show that the share of women in managerial positions was 5.9 %, while in 1989 it had risen to 7 %. In ten years, the share of women in managerial positions increased by only one percentage point. If present trends continue, women will be equal to men in this area only after many, many years.

However, such trends are unfavourable to women in other countries as well. Even in developed countries, with much greater industrial tradition and industrial culture, women are in the same position. In terms of their treatment and of the valuation of their work, they are paid less for the same work than men. Of course, any kind of discrimination is unfounded and unjustified, especially since, as many experts point out, women managers are more persistent, more objective and more efficient, but also more emotional and more tolerant, they apply a more democratic management style and very rarely use force or an autocratic style.

Personal characteristics

In-depth knowledge, good characteristics and skills are basic elements that a manager must have to be successful. Knowledge and skills are acquired and developed through learning and practical work, while characteristics are the personal traits that a person has. So, characteristics are predisposed as regards people, and these make them behave in a certain way in certain situations, or as regards certain professions (Milisavljević, 1994: 107).

Management is a profession that requires managers to possess certain qualities in order successfully to carry out the work entrusted to them. A manager's job is very complicated and difficult, and managers are required to have good physical and mental qualities.

First of all, managers must possess certain human traits in order to be able to form authority, enabling them to gain the trust and support of staff and lead them to a successful achievement of the objectives of the organisation.

More detailed analysis shows that there is a wide range of necessary and desirable characteristics of managers which help them do their job successfully. In order to be successful, managers should be (in terms of some of the most important qualities): hard-working; intelligent; fair; ambitious; energetic; enthusiastic; flexible; imaginative; optimistic; brave; aggressive; and with a strong and stable personality; etc. (Milisavljević, 1994: 107).

As we can see, the number of required features is so large that it is almost impossible to find one person who possesses them all. However, in an imperfect modern world, there is no ideal person, so it is useless to try to look for all such qualities. Therefore, when it comes to selecting a manager, it is not necessary to look for a person who possesses all these qualities, but one who has as many of them as possible; a person that has a set of characteristics that are directly related to the tasks that the selected manager will perform.

After these basic observations, it would be interesting to see what Serbian managers think about the desirable characteristics of a successful (ideal) manager. According to the research, they decided on the four basic characteristics of a successful manager, in the following order (Milisavljević, 1994: 114):

- self-confidence
- systematic mind
- leadership skills
- political skills

Therefore, in assessing the quality of a manager, Serbian managers stress, above all else, their self-confidence. In addition to self-confidence and independence, this most important personality trait of a Serbian manager is also characterised by a distinct sharpness (aggressiveness, fast action and risk proneness).

The second most important feature which serves Serbian managers in evaluating the quality of a manager is a systematic mind. This trait is composed of the highly-rated property of consistency and the well-rated ones of patience and composure. Patience and composure indicate the importance of resistance to pressure, a character trait of managers which is significant in the construction of an ideal manager in the opinion of Serbian managers.

Leadership skills are not, according to Serbian managers, of crucial importance to the quality of performance of managerial activities. However, this dimension is also present in their assessment. This is already an improvement, since these features were, in the past, seen as undesirable: a result of the former official, ideological understanding of the concept and role of a leader in the work process.

Political skills are considered to be a less important trait in assessing the likely quality of a manager, although one part of this dimension, negotiating skills, is a highly-rated trait. There is also a category of inter-personal skills, such as communications skills and personal charm. Albeit in last place, this group of personal characteristics is also taken into account when evaluating the personality of certain managers.

Shortcomings of Serbian managers

Serbian ‘management’ lags behind the management of developed countries in many respects. Several authors have systematised such shortcomings as set out in the following sub-sections (Radosavljević and Tomić, 2006).

Product orientation

Serbian directors are still oriented towards production. This is explained by the large number of Serbian directors who have a technical education. However, this has repercussions for the efficient operation of business systems and is not a beneficial situation by itself: developed countries abandoned this approach to business in the fifties and, in its place, modern management has accepted the context of marketing. The essence of the concept is the acceptance of the market as the primary regulator of all business activities. In our business conditions, this is extremely important, given that today it is much easier to produce something in Serbia than to sell it; and also that it is even more difficult to get paid for the product sold.

Insufficient knowledge of finance and accounting

The market economy system requires managers to know the basic principles of accounting and financial management; to know how to read balance sheets and sub-balances in order to extract the elements to make quick and correct decisions. This is a problem for almost all managers who are not economists by education, who must therefore master such skills in other ways.

Lack of computer skills

For good-quality management, it is necessary to know how to use information technology and computers. The abundance of information, and its easier deployment, means that skills are usually systematised by management level (advanced, intermediate, elementary) or by functional areas (manufacturing, marketing, finance, human resources, etc.).

An insufficient number of our managers has been trained to work on computers to an advanced level. Our managers are in a worse position compared to foreign managers who are able quickly to find the requisite information and act accordingly. They say that without a computer, they cannot make a decision; they need it like a short-sighted person needs glasses.

Lack of communication skills

Communication is one of the central functions of management. Practice shows that most of our managers have insufficient communication skills and are lacking in communications culture. Due to a lack of knowledge of their business partners’ culture, they often make mistakes when bidding, during negotiations and agreements, and when expressing gratitude. And this, of course, has an impact on the business.

Insufficient knowledge of foreign languages

It is a fact that our managers speak foreign languages only poorly. Some of them do not even know any foreign language. This has the same consequences as computer illiteracy and the lack of communications skills. And even more than that: someone who knows the language of the person he or she is dealing with, or another language that the person understands, behaves quite differently: discussions between business partners without an interpreter are much more pleasant, friendlier, warmer and more effective.

Inadequate level of general knowledge

In managerial education worldwide, especially in the USA, particular importance is given today to developing general knowledge and culture. It involves studying many skills: business ethics; communications; culture; rhetoric; the history of arts and culture; business etiquette; negotiations skills; behavioural manners; etc. Everything is at a professional level.

In contrast, our managers do not acquire such knowledge as a part of their education and training. Some of them manage to do so on their own initiative, spontaneously, and probably partially, but some of them do not. This leaves a number of negative consequences for the conduct of business.

There is something common to all systems and the Serbian one is no exception – those who do better in life are demagogues, sycophants, toadies, lazy, aggressive and immodest compared to those workers who are honourable, capable, diligent and modest. Activities by informal interest groups, pressure groups, nepotism, bullying – all these lead to negative selection and this is, of course, reflected in the work atmosphere and in business results.

'Penny wise and pound foolish'

The proverb 'penny wise and pound foolish' reflects bad habits that remain from the past and which resulted from fear and from a powerlessness as regards criticising major and powerful people for huge mistakes and losses of money, while powerless people were judged and criticised for their petty and trivial errors. Low-level affairs are discussed widely and employees are exhausted with them, wasting time and energy, while significant fraud, theft and abuse proceed smoothly. Large-scale problems are usually postponed until a more favourable atmosphere comes along – and, usually, the time for this never comes. In particular, this is the case when someone, in the name of the 'social peace', prohibits action against incompetents, bullies and criminals.

Managers' use of 'I' and 'we'

Serbian directors of public companies usually use the word 'I' instead of 'we' – and some of them only use 'I'. They are pointing to their ego and to their own role and importance in the company's business and results. When they talk about the company they manage, they say 'my company' and, when they talk about employees, they say 'my people'.

However, when they talk about some negative things and failures that have occurred in the work of the company, perhaps as a result of their own failings, they say ‘we’, wanting to divide up the responsibility and clear themselves of blame. Rigid and bureaucratic leaders – autocrats – do not even say ‘we’ but ‘they’, thereby completely exempting themselves from any liability.

This is contrary to the practice of other, primarily developed countries in which managers use ‘we’ only when it is necessary to highlight some successes and accomplishments of employees, and ‘I’ when a certain responsibility should be located. Wise and respected managers always bravely accept responsibility for certain acts or omissions, and always try to protect people they manage. Never will Japanese top managers blame those at middle or lower level if they are dissatisfied with completed tasks, tending to say that they were probably not clear enough when originally handing out the task, thus taking responsibility upon themselves. Neither will west European managers emphasise their own importance in respect of a company’s good results, because this is expressed through the profits that have been made.

Office as a reward for political party activities

Such a practice is not only connected to Serbia, but it is very pronounced in our country. Namely, it is the case that, in multi-party systems subsequent to elections, the parties are awarded a certain number of ministers, ambassadors, director positions, etc. according to the number of seats won in parliament. In other countries, such positions are given to people based on their professional reputation. Indeed, they may be people that do not belong to any party, or otherwise their party affiliation is not important for this choice.

In our country, political party affiliation or activity is a very important criterion, and often a decisive one. In this way, certain party activists are recognised and rewarded for their commitment to the party and their contribution to its work. It is also expected that they will, as trusted party activists, look after the realisation of the interests of the party. In this way, when performing managerial duties, the interests of a particular party are placed above the interests of the company.

‘Military’ methods

Today, there are still a large number of Serbian directors of public companies who give orders and commands in a ‘military way’. Japanese companies use mostly consensus in decision-making and west European companies use democratic decision-making models; while here, the decision-making style is often autocratic, rigid and bureaucratic, in a ‘giving of orders – execution of orders’ approach.

In most cases, current Serbian directors are ‘slaves who became kings’. Their placement in director positions was often irregular, and sometimes violent. In order to remind them of this, those who brought them to such a level demand that they carry out unfair and inhumane requirements, thus humiliating them. They must fulfil all such requirements, because they know how they got there and that those with power can immediately have them replaced. Hence some brutal attitudes towards subordinates, which makes them in turn look for ways to alleviate and compensate the distress they suffer from their superiors.

Conclusion

This review of the Serbian management of public companies highlights that it is not of good quality and, to a great extent, on the sidelines of what is being achieved in this profession in the developed countries of the world.

The management of large enterprise systems is largely bureaucratic and politicised. Managers are mainly placed in key managerial positions not on the basis of their knowledge, skills, performance or achievements but on the basis of their party activities and the agreement and settlement of certain political options. It is quite clear that there will have to be major changes in order to ensure the faster development of economy and of society.

In particular, managers of public companies need to be well-educated, with a desire for constant, lifelong improvement. The crisis should not be an excuse for the poor situation in this area. The response to crisis, among other things, is frequently to cut expenditure. However, we must not cut expenditure on education; on the contrary, knowledge is always a good investment, especially in a period of crisis since it is only with knowledge that we will find a path out of it.

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