

# SPECIFICATIONS OF SMALL BUSINESS MANAGEMENT IN SERBIA

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## Abstract

Small businesses have a simple organizational structure consisting of an owner/manager and a small number of workers. The owner/manager in most businesses manages both the capital and the enterprise, so the success of the small business largely depends on how the owner manages it, specifically on the specifics of management. Depending on these specifics, some businesses have ensured sustainable business and some have not. Therefore, the purpose of this paper is to empirically research and identify the specifics with which small businesses operating for a long time are managed in the business environment in Serbia. These specifications are recommended as good management practice for new small businesses in Serbia. to make it easier to follow the path of their small business success.

*Keywords:* small businesses, owners/managers, management specifics

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## 1. Introduction

Small businesses in Serbia are the carriers of entrepreneurship in the country because they make up over 90% of the total number of businesses in the non-financial sector of Serbia. The fact that they are more widespread in the country gives them a large contribution to the employment rate as well as to the creation of added value. Their role in national economies is evident, and, currently, private initiative is encouraged in all countries. (Jacob et al., 2017). But, on the other hand, their large number makes the competition between them more challenging and makes many of them unable to survive for a short time. In addition, competition between them is made difficult by other factors related to the characteristics of small businesses, such as simple organizational structure, limited finances, lack of economy of scale, etc. However, many businesses manage to ensure a successful career. While, within the same sector, many small businesses close down, not being able to survive in the market, while many others manage to ensure a stable business, there is a need to research active businesses in Serbia that have managed to ensure successful business operations, for years, to see what specifications their owners use in the management process. Because it is known that most small businesses are managed by their owners. Therefore, their owner/manager simultaneously manages both the capital and the enterprise. And, it turns out that the key to the success of a small business lies in how the owner/manager manages the business. Therefore, the research in this paper focuses on the owners/managers of small businesses and the specifics they use in the process of managing their small businesses.

This paper aims to identify the specifics of management in small businesses active in Serbia. The results of the research will serve as a recommendation for good management practices in new small businesses in Serbia.

## 2. The methodology

This paper uses qualitative and quantitative methods. The results of the collected data will be interpreted through descriptive statistics. The data was collected through the empirical method, the questionnaire survey with the owners/managers of small businesses active in Serbia, based on their experience in management. The survey was conducted physically, in the field, in 50 small, random businesses in different cities of Serbia.

### 3. Literature review

Small businesses are the bearers of a country's entrepreneurship. They are led by entrepreneurs with an entrepreneurial spirit who innovatively manage the enterprise, otherwise, they would not be able to survive the competition, in today's dynamic environment. Innovation is a key factor related to the maintenance and survival of these small businesses (Sebrae, 2017). The entrepreneur risks pooling resources to bring a good or service to market to make a profit. (Gallagher et Hopkins, 1999). However, companies often have to solve various problems caused by unwillingness to manage innovative processes. (Lendel V. et al., 2015). This is because small businesses are run by owners based on their prior experience, and not by professional managers. Therefore, we consider that the management function is key to the future fate of the small business, and the management function is the main characteristic that distinguishes small businesses from other businesses, thus determining their specificity. *Basic Characteristics of Small Businesses* – One of the most important characteristics of small businesses is their size, which distinguishes them from medium and large enterprises. The size of the enterprise is one of the contingent (situational) factors on which the whole business depends. The way to manage a small business also depends on the size of the enterprise, because small enterprises are usually managed by the owner/manager, while larger ones need to be managed by a professional manager. Another characteristic is the simple organizational structure - Another characteristic is the simple organizational structure - which is closely related to its size. In small enterprises, there is no high degree of task specialization. The organizational structure them is simple, it consists of a manager and a small number of employees, and all work is done within them. There is no division of labor, specialization of tasks numerous administrative units, etc.

Management and ownership - In small businesses, the management function is not separated from the ownership function, as is the case in large enterprises. Small businesses are managed by their owners. Owner – the manager of the small entrepreneurial business bears all the responsibility for the success or failure of the business, unlike the manager in large firms. (Bulatović, et Jokić, 2017). The small business owner/ manager must manage the business at the same time as his capital, while in large businesses the manager is paid for the work done. Research on SMEs in Serbia proves that their approach to finance is still a big problem for businesses and that SMEs prefer to use traditional financial sources, in the form of their funds, personally borrowed funds, and bank loans. (Paunović B., 2017), These problems are less present in large companies.

A characteristic of small businesses is the centralization in making decisions. Because the owner is also the manager, he makes the decisions for the business himself, the employees only have to implement them.

High level of flexibility - makes small businesses different from other businesses. They can easily bring about changes to suit market trends thanks to their size, simple structure, and small number of employees.

Of the above-mentioned characteristics and others, some manifest as advantages and others as disadvantages for small businesses. The advantages of small businesses are high flexibility, ease of management, entrepreneurial spirit, direct information from the market, etc. The weaknesses of small businesses are the lack of volume economy, the lack of professional staff, and the lack of professional managers. One of the biggest problems faced by small businesses is the provision of financial means. (Dukić, et al. 2022). The financial resources available to large businesses are not available to small businesses.

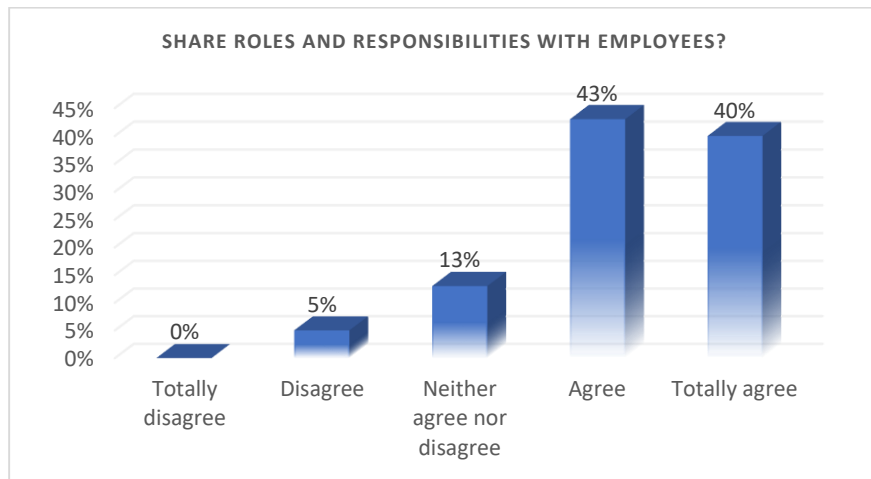
### 4. Results

This paper includes a part of the research that we carried out on 50 small businesses in Serbia, namely the part that deals with the management of these small businesses. The paper specifically investigates the main specifics with which the surveyed businesses are managed by their owners/managers, such as decision-making, implementation of innovations, financial management, employee motivation, and business strategies, as important tools of the management process that influence the performance of the enterprise. The questionnaire

questions are ranked on the Likert scale with answer options from 1-5: disagree, disagree, neither agree nor disagree, agree, and agree. The results of the research present the personal attitudes of the surveyed managers about the way they manage.

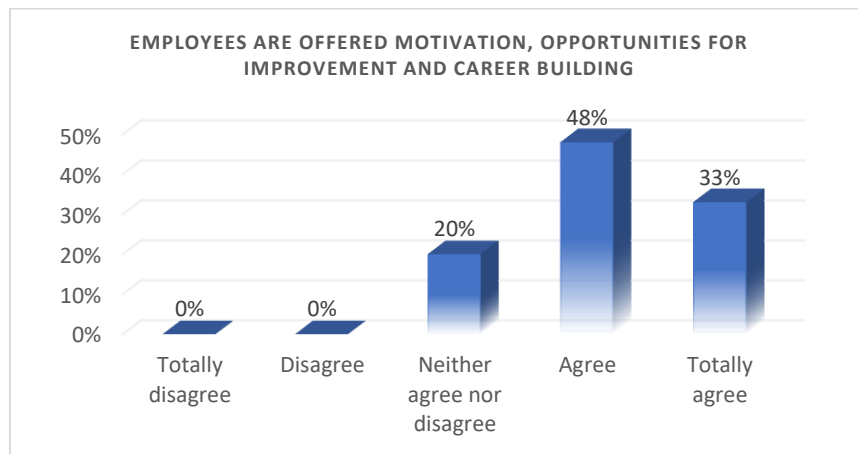
The results of the survey are presented statistically in the diagrams below, accompanied by descriptive interpretations.

- In the question "Share roles and responsibilities with employees?" respondents answered as in Graph 1. Graph 1. shows that 83% of the surveyed owners/managers agreed that they implement the division of roles and responsibilities in the enterprise. This phenomenon is not specific to small businesses, but if the responses of the respondents are honest, it can be said that these businesses implement management aimed at motivating and advancing employees, which affects the greater commitment of employees, and produces positive effects on the final results of the enterprise. Those who disagreed with the question were only 5%



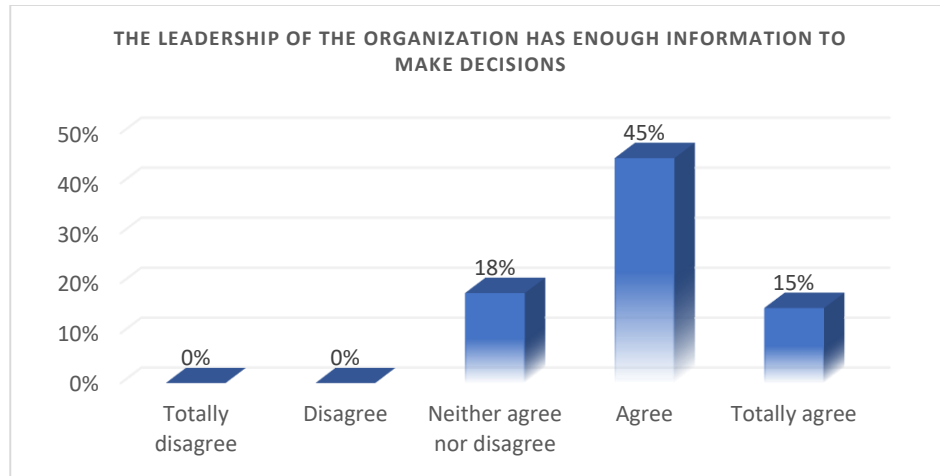
**Graph 1.** Share roles and responsibilities with employees?  
Source: Own search

- In the question "Employees are offered motivation, opportunities for improvement and career building", 80% of respondents answered that they agree with 20% of owners/managers who declared neutral if they invest in their employees for development and advancement. (Graph 1)



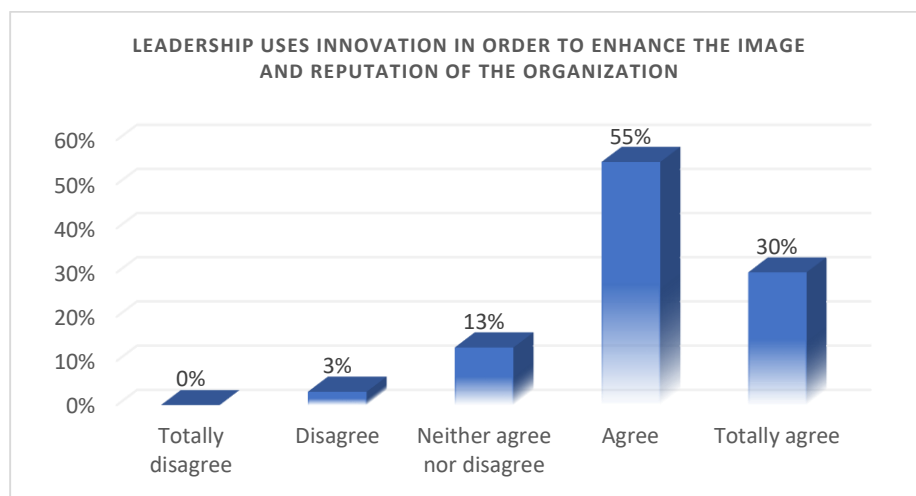
**Graph 2.** Employees are offered motivation, opportunities for improvement, and career-building  
Source: Own search

In the question “The leadership of the organization has enough information to make decisions” the answers result with 80% agreed 20% disagreed and between the two answers. They say they have enough information from the market. This is also understandable because they get information easier and faster than large businesses, they get information directly from the buyer and not through multiple intermediaries. ( Graph 2).



**Graph 3.** The leadership of the organization has enough information to make decisions  
Source: Own search

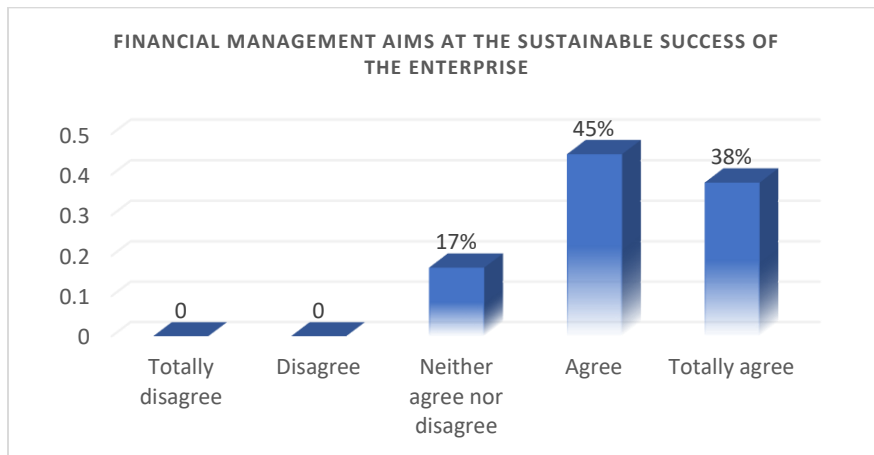
- In the question "Leadership uses innovation to enhance the image and reputation of the organization" respondents answered as in Graph 4. 85% of respondents affirm that they implement innovation during the business management process, in contrast to only 3% who do not state the same and 13% of respondents who do not share a concrete position on this issue. So what the literature says is confirmed by the managers of these businesses, that small businesses stand out for the implementation of innovations, otherwise they would not be able to maintain such great competition in this sector.



**Graph 4.** Leadership uses innovation to enhance the image and reputation of the organization  
Source: Own search

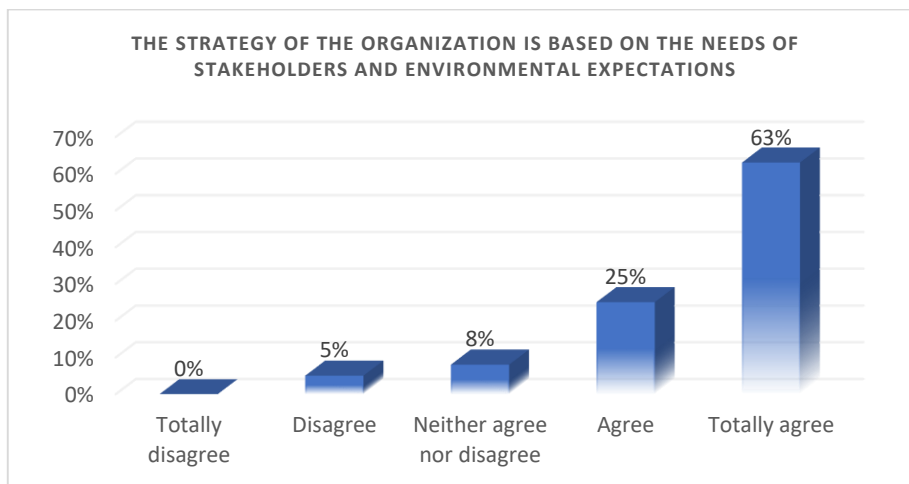
In the question "Financial management aims at the sustainable success of the enterprise", about 83% of the surveyed owners/managers answered that they agree with the question, while about 17% share a neutral

attitude on the same issue. Understandably, most of the respondents admit that they are oriented towards a sustainable business, given the limited finances of small businesses and the problems that arise as a result.



**Graph 5.** Financial management is implemented for the sustainable success of the organization  
Source: Own search

- In the question "The strategy of the organization is based on the needs of the interested parties and environmental expectations", the respondents with about 87.5% agree, against 8% who are neutral and 5% who have the opposite opinion. Almost the majority of respondents declare that business strategies are oriented towards market demands, and this is understandable because these types of strategies best affect the success of any business, therefore they are implemented in most of the businesses surveyed. (Graph 5)



**Graph 6.** The strategy of the organization is based on the needs of stakeholders and environmental expectations  
Source: Own search

All the results presented above present some of the specifics with which small active businesses in Serbia are managed, with which they manage to operate and compete in the business environment in Serbia.

## Conclusion

Small businesses are characterized by the specifics with which they are managed by their owners/managers. Their success in the market also depends on this, because its owner/manager manages both the business and the capital, and he makes all the decisions in the business. This is also the case with the surveyed businesses that are active in the business environment in Serbia thanks to the specifics with which they are managed. Some of the specifics that we identified through the search are the sufficient information from the market that they possess that helps them in making business decisions, the implementation of innovations in the enterprise in the framework of strategies that are oriented towards meeting the demands of consumers, as well as finance-oriented towards sustainable business. As a specific feature of these businesses, we identified the sharing of responsibilities and relevant roles with employees as well as investments in the improvement of employees, which we can say are not so present in small businesses. Investing in human resource development is a recently growing motivation tool that affects productivity growth, but is mostly applied in large companies. Perhaps this is one of the main management tools that ensure these businesses compete in the market.

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