

MODEL FOR DEFINING THE LEVEL OF IMPLEMENTATION OF THE MANAGEMENT FUNCTIONS IN SMALL ENTERPRISES

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Small enterprises, based on private ownership and entrepreneurial capability, represent, for the majority of the scientific and professional public, the prime movers of economic growth, both in developed market economies and in the economies of countries in transition. At the same time, various studies show that the main reason for the bankruptcy of many small enterprises (more than 90%) can be found in weak management, i.e. unacquaintance with management functions (planning, organization, human resources management, leading and control) and with the need of implementing those functions in practice. Although it is not easy to define the ingredients of the recipe for success or to define precisely the importance of different elements, and regardless of the fact that many authors think that the management theory for large enterprises is inapplicable for the small ones, we all agree that the owner/manager and his implementation of the management theory has a decisive influence on small enterprises in modern economic circumstances. Therefore, the author of this work is hereby representing the model, which defines the level of implementation of management functions in small enterprises, as well as three systems/levels (danger, risk, progress) in which small enterprises may find themselves. After the level of implementation of the management function is identified, it is possible to undertake some corrective actions, which will remove the found failures. While choosing the variables of the model, the author took into consideration specific features of a small enterprise, as well as specific features of its owner/manager.

1. INTRODUCTION

The establisher of a small enterprise usually starts with an idea, offering a product or a service, something he has at his disposal. He makes expenses and

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tries to return the invested capital, sometimes even making big profits. However, what many establishers very often lack is a clearly defined field of activity; a defined, efficient and organized present state in which they are highly aware of where they are heading to and what they are supposed to do in order to achieve satisfactory results. On the other hand, regardless of how genius the idea which initialized the establishment of the enterprise is, and regardless of the capital attracted or quality of and demand for the product/service, it is very difficult for a small enterprise to survive in modern market circumstances unless it defines the field of its activity and secures quality implementation of management functions. That was proved in numerous studies, which pointed out to various factors, which, to a smaller or greater extent, contribute to the ill success of small enterprises and their establishers. Siropolis (1995, p. 18), e.g. lists factors which lead to the ill success of small enterprises on the basis of the American experience, and Lacković (2000, p. 139) lists the factors of ill success in regard to problems the small enterprises are faced with in countries in transition.

The reason for the failure of 90% of small enterprises is very weak management. That leads us to the conclusion that small enterprises often fail because they are not prepared for momentary and daily growing managerial demands. If they want to organize their present situation and consider their future more freely, they have to look for the answers to their questions in the science of management.

As already stated, the main reason for the failure of small enterprises lies in the insufficient acquaintance with management functions and their harmonized gathering into a single unity. Therefore, the question is raised: *How to identify shortcomings in the management of small enterprises?* In order to identify shortcomings in the management field, it is necessary to realize how the management functions are implemented, i.e. what is the level of their implementation within a small enterprise. A model, based on variables of each singular management function, is established for the identification of the level of implementation of management functions.

While defining the management functions, the author took into consideration five well-known functions (planning, organization, human resources management, leading and control) accepted by the majority of authors. After management functions are defined, the process of defining their basic variables starts, in which specific features of small enterprises and of their owners/managers are taken into consideration. After the basic variables of each particular management function are determined for the process in which needed

data can be collected and investigated, the survey method is chosen, based on a questionnaire.

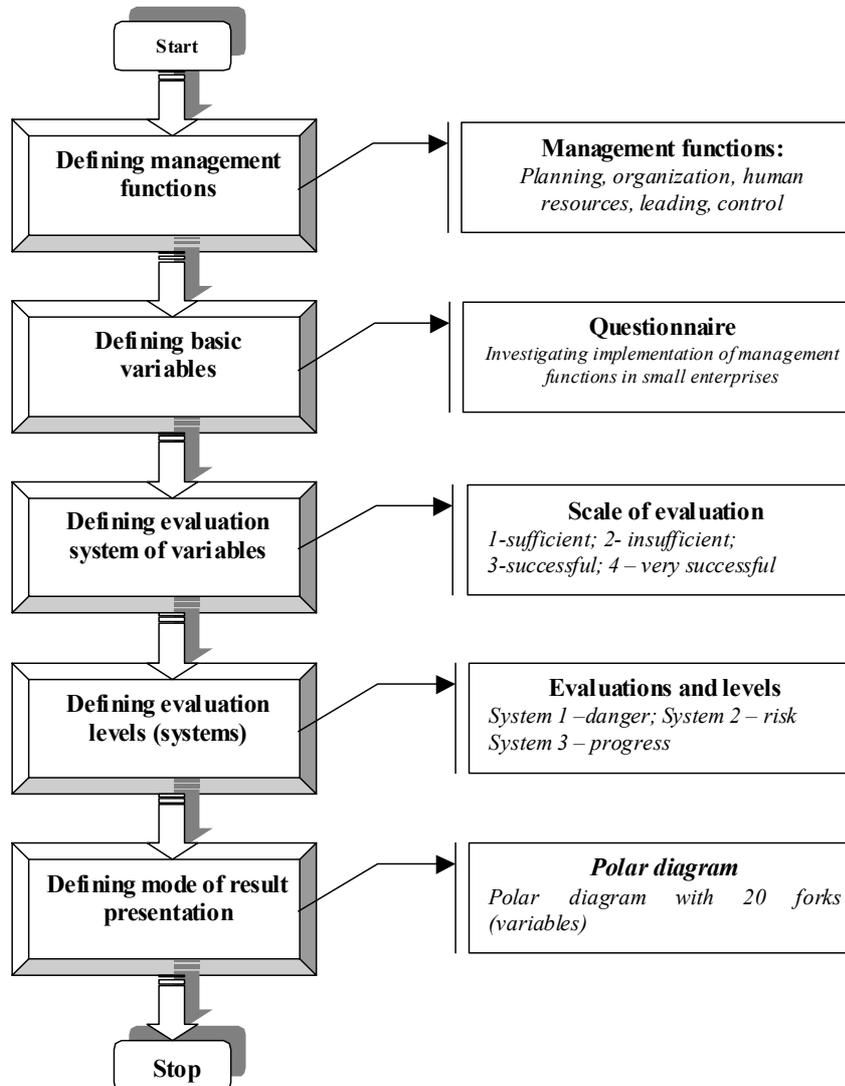


Figure 1. Phases of shaping the model

Furthermore, with the aim of evaluating the collected data in an adequate manner, the evaluation system (marks – 1,2,3,4) is established for the different

answers given to the questions for each variable. The mode of defining the level of implementation of management functions is determined by the establishment of three systems (risk, danger and progress) in which small enterprises may find themselves. The presentation mode, through a polar diagram, was made in order to present, in the easiest way possible, the position of the levels of implementation of management functions in small enterprises and also to point out those variables of particular or of all functions which are not implemented in a satisfactory manner.

2. DEFINING MANAGEMENT FUNCTIONS

A large number of scientists and managers consider management as one of the most important human activities. Since the very beginning of systems being established by people (business, cultural, educative, religious, political, military and other similar systems), with the aim of reaching those goals which they could not reach individually, management has *“through the work process with others and through the others been securing the reaching of organization goals in an environment subject to changes, with effective and efficient usage of limited resources”* (Kreitner, 1989, p. 9). Therefore, it can be stated that management maintains those resources through its own functions and inter-relations. Buble (2000, p. 11-13) says that the development of management from its former role of “slave driver” to its present role of modern co-operative management resulted in changed management functions. In that context, Buble compares Fayol's (1920) and Drucker's (1961) conception of management and the conceptions of other authors and states that there is a common conception of four management functions in the literature, but many authors include human resources management among them too, so that we can accept the division of management into five functions: planning, organization, human resources management, leading and control.

In order to avoid the ill fate of the owner's (manager's) efforts to make his enterprise successful, appropriate tasks have to be defined which will make each individual within the enterprise aware of the goals and methods which lead to the implementation of the set purpose and mission. The process of task defining actually represents the implementation of the most essential management function – **the function of planning** – the substance of which is defined differently by different authors. Kreitner (1989, p. 141) defines planning as a preparation process for changes and problem-resolving, while in doubt about future moves of action; Cole (1990, p. 114) describes planning as the activity which includes making decisions on goals, resources, behaviour and results; while planning in Koontz's and Weihrich's (1994, p. 118) definition also

includes the selection of missions and goals, as well as actions for their implementation, requesting decision-making, i.e. choice between probable future directions of actions. Taking into consideration the above-stated definitions and the definitions of other authors, Buble (2000, p. 115) points out the fact that some of those definitions are more abstract in their nature, while others are more pragmatic, adding that a conclusion can be drawn from those definitions in which planning is (1) a formal process, (2) a setting of goals and (3) a selection of strategies adequate for reaching those goals.

After the function of planning is implemented, the owner/manager is faced with the task of organizing the whole system and the priority task becomes to adjust the enterprise to permanent changes in the external and internal environment. In addition, it can be said that the process of permanent adjusting forms a central point on which **the function of organization** focuses itself. Although various authors use different terms while defining this management function (structuring, shaping, designing, organization building...), its task remains always the same: to outline and establish the enterprise as successfully and as rationally as possible and to further maintain and develop it. Kordić (1997, p. 21) views organization as a whole, created by man individually or collectively, with the aim of reaching certain goals and satisfying some specific needs. As such an organization is not created spontaneously, but rather has to be first planned and conceived, and second, concretely established (constructed, shaped) and constantly maintained and further developed. The term of organization used by Kordić comprises all the above-mentioned activities. In accordance with the above-stated, the function of organization can be viewed as the process of shaping complex activities, its tasks being the following (Sikavica, 1998, p. 20): establishing and classifying all necessary activities in the enterprise; grouping activities on one of the principles of organizational structure-building; assigning activities to individual organizational units, managers and employees; defining the role of employees; securing co-ordination; formalizing and decentralizing organization; establishing horizontal and vertical complexity and assigning some tasks to lower levels.

As a factor of productivity and efficiency, the **human resources management function** is reflected in a rational and efficient combination of the resources and business potential of an enterprise, whereas reaching the desired goals is the result of the capability of its owner/manager. Therefore, it belongs to the task of the owner/manager to implement the human resources management function in a manner which will create such relations, which, in turn, will free some space for always-larger initiatives, efficient work, creativity and richer life and better reputation of the enterprise. According to Koontz and

Wehrich (1994, p. 356) the human resources management function means filling vacated posts in the organization structure and maintaining them filled through identifying the needs for a new work force, listing available persons, collecting, selecting, employing, promoting, assessing, career-planning, paying, encouraging and training them, or in another way, by simultaneously developing candidates and persons currently holding a particular work post, so that they can carry out their tasks in an efficient manner. While defining human resources management, Bahtijarević-Šiber (1998, p. 30-31) mentions a substantial number of definitions which appear in the literature and concludes that human resources management means systematic and theoretically organized development of human resources targeted at reaching and developing organization capability and competence and securing a relevant competitive advantage, with the aim of reaching strategic business goals.

Regardless of the fact that the term “leading” is not present in economic science for a long time (it has been used mainly as a sociological and political term), leading and the **function of leading** have recently become an integral part of management. However, as its relation to management has not been defined precisely enough yet, different definitions of leading have developed which also include some very significant points of contact. Montana and Charnov (1993, p. 216), e.g. consider leading the process in which one individual exerts his influence on others, wanting to reach a previously set goal; adding that within an enterprise, leading is the process in which a manager exerts his influence on his employees wanting to reach goals set by the top management. Koontz and Wehrich (1994, p. 460) define leading as the process in which people are influenced in order to contribute to organization and group goals, while Bahtijarević-Šiber (1991, p. 237) emphasizes that leading is the process in which a leader asks for willing participation of his subordinates, with the aim of reaching organization goals. Deželjin and Vujić (1995, p. 93) think that leading represents: 1. making decisions on everything that needs to be done 2. organizing people and relations and connecting them with the resources with which the tasks can be done 3. securing circumstances in which jobs and tasks are constructed, adding that the most essential thing in the leading process is to get people to follow the leader, i.e. to submit to his will, accepting what they are told and ordered by him.

Being the management function which secures reaching set goals through evaluating and correcting, the **function of control** becomes a necessary task of any owner/manager and of his associates as well, since all those engaged in implementing the plans by which the goals can be reached are responsible for the successful implementation of the function of control. As the function of

control connects inputs and outputs, follows the activities and gives feedback to the owner/manager, it can be said that (Buble, 1993, p. 373) the function of control is the process in which performances are evaluated and corrected through the application of appropriate activities, with the aim of securing the reaching of set goals. Koontz/Wehrich (1994, p. 578) consider that the function of control comprises the evaluation and correctness of operating, with the aim of securing the reaching of goals of an enterprise and relating plans. According to Osmanagić-Bedenik (1998, p. 134), control represents a part of the management activities in connection with the performance process, adding that in regard to the features of performance activity, we can talk about the activity itself (as a process) and about the result of the activity.

3. DEFINING BASIC VARIABLES (WITHIN EACH PARTICULAR MANAGEMENT FUNCTION)

In respect to everything mentioned above, it becomes clear that management functions represent tasks which need to be carried out within an enterprise, with the aim of defining the internal organization, regardless of whether it is a small, medium-sized or large enterprise. Therefore, it belongs to the task of the owner/manager in a small enterprise or of the management in larger enterprises to start and direct the overall business operation of the enterprise towards reaching the set goals.

3.1. Variables of the function of planning in a small enterprise

While considering the problem of planning in small, medium or large enterprises, the following question is almost always raised: Why is planning necessary when it is so expensive and difficult? It is generally known that large enterprises, i.e. large systems, overcome more easily the mentioned problems, but the fact is that in circumstances of the modern economy, planning as a process becomes a necessity for small enterprises too. Tendencies of the modern economy and growing turbulences in the external environment constantly bring enterprises in such a situation in which they have to plan certain future activities, which should contribute to the well being of the enterprise. That is why small enterprises and their owners/managers have to approach the planning process as practically and as seriously as possible. A serious approach to the planning process, i.e. step by step planning, enables the owner/manager to avoid unrealistic goals, which has many positive results in the final phase; like saved money and time, which would have been spent, otherwise, avoided disappointment of the owner/manager and of his employees and other similar positive results.

Koontz and Weihrich (1994, p. 129-134) define the following phases of the planning process: being aware of a favourable opportunity, setting goals, developing premises of the plan, identifying alternatives, evaluating premises, selecting alternatives, formulating carried out plans and creating a budget. However, as the owner/manager of a small enterprise is not able, in the majority of the cases, to implement the listed phases due to lack of resources, it becomes necessary to adjust them to specific features of a small enterprise (Figure 2.), i.e. to implement it through phases which will provide answers to three fundamental questions (Buble, 2000, p. 116): *1. What is the current position of the enterprise? 2. What future position does the enterprise wish for itself? 3. How can that wished-for position be reached?*

In order to make optimal use of internal potential of their own enterprise, owners/managers should diagnose their own business position and recognize its strengths and weaknesses, i.e. good and bad points of the enterprise. Making a diagnosis of the enterprise secures, at the same time, the choice of optimal activities of the owners/managers in order to make maximal use of their own strengths, as well as of external circumstances and to remove efficiently their own weaknesses and threats coming from the outside. Therefore, the first variable in analyzing the implementation of the function of planning is the **strengths and weaknesses** of an enterprise, i.e. the following question is raised: *To what extent are owners/managers of small enterprises aware of the strengths and weaknesses of their own enterprise?*

Goals represent tasks necessary to be done in order for the mission of the enterprise to be completed, i.e. in order for the purpose of its existence to be justified. Goals can be viewed as desired future situations, which the enterprise plans to reach. Goals, set by the owner/manager, should be as clear as possible and fully adjusted to realistic circumstances of the enterprise. As the main goals' areas usually regard issues of gains, losses, growth rate, market or competition, owners/managers are expected to be well acquainted with the goals set for themselves personally and for the enterprise as a whole. Therefore, the second variable considered in analyzing the implementation of the function of planning is **the goals of the enterprise**, i.e. the following question is raised: *To what extent are owners/managers of small enterprises acquainted with the goals of their enterprise?*

By defining the main direction of the enterprise and forming a general business policy, the strategy of the enterprise enables reaching the adequate success. While defining the strategy, the owner/manager makes some choices too, like of a product/service which will be produced/sold.

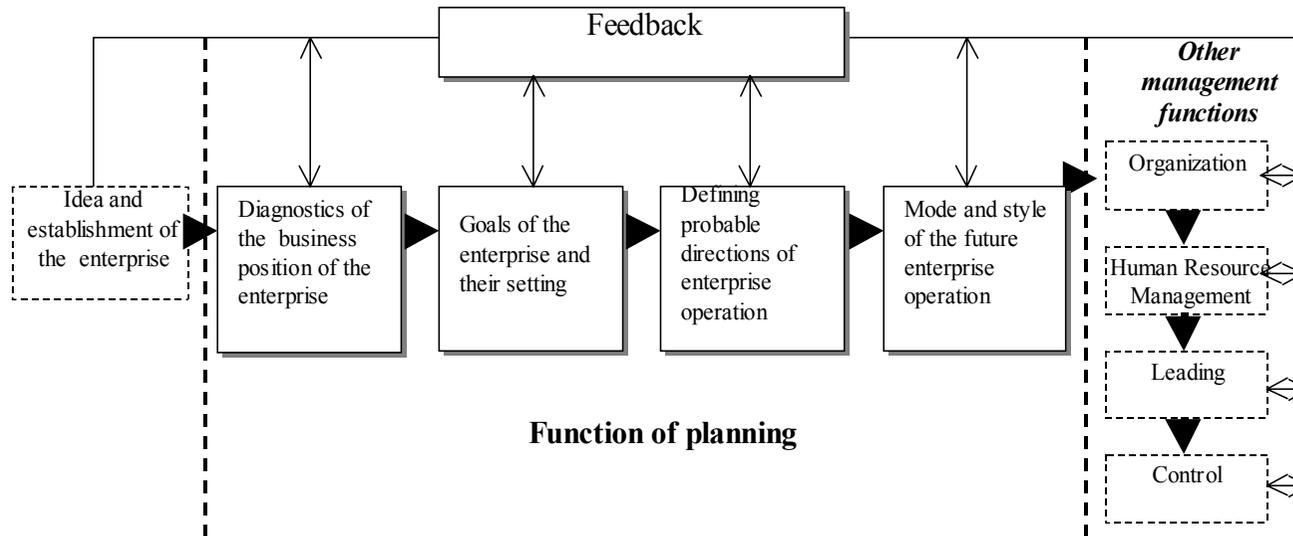


Figure 2. Planning process in a small enterprise

He or she also has to decide of the market on which the enterprise will be operating; of a mode of financing his own undertakings and of the organization structure which will be applied, so it is interesting to define to what extent the strategy of the enterprise is known and documented in a small enterprise. Therefore, the third variable considered in analyzing the implementation of the function of planning is **the strategy of the enterprise**, i.e. the following question is raised: *Are owners/managers of small enterprises acquainted with their own strategy and is it well-documented ?*

As it is very important for the owner/manager to pay attention to the principle of continuity in planning, i.e. to have his own plans in order to avoid unplanned periods in the life of his enterprise, it is very interesting to define to what extent are short-term, middle-term and long-term plans set, based on already defined goals, as well as if there is any aberration of middle-term and long-term plans in regard to short-term plans. Therefore, the fourth variable considered in analyzing the implementation of the function of planning is the **short-term, middle-term and long-term plans of the enterprise**, i.e. the following question is raised: *Have the owners/managers of small enterprises defined short-term, middle-term and long-term plans for reaching the set goals?*

3.2. Variables of the function of organization in a small enterprise

The function of organization represents one of the most essential and inseparable components of management as a whole because it is extended over the whole process of organization formation and subsequent operations of the enterprise. Namely, as the organization function is essential for the efficient functioning of the enterprise, it is just as essential for the preparation stage itself, i.e. for the stage following the stage of the "initial idea", in which a particular organization is actually established. After the owner/manager defines the goals and mode of further operation in the course of the planning stage, there is a need to define, through the function of organization, who is to do what and how to reach internal co-ordination, as it is not sufficient just to define goals and modes of further operation if the enterprise wants to compete with other competitors, but they need to be efficiently implemented. While defining the function of organization and its concept, authors usually list activities needed for the more successful functioning of an enterprise, which leads us to the conclusion that organization is a process of planned moves which result in appropriate changes. The process (course) of organizing a small enterprise at the stage of its establishment should be implemented by its owner/manager as shown by Figure 3.

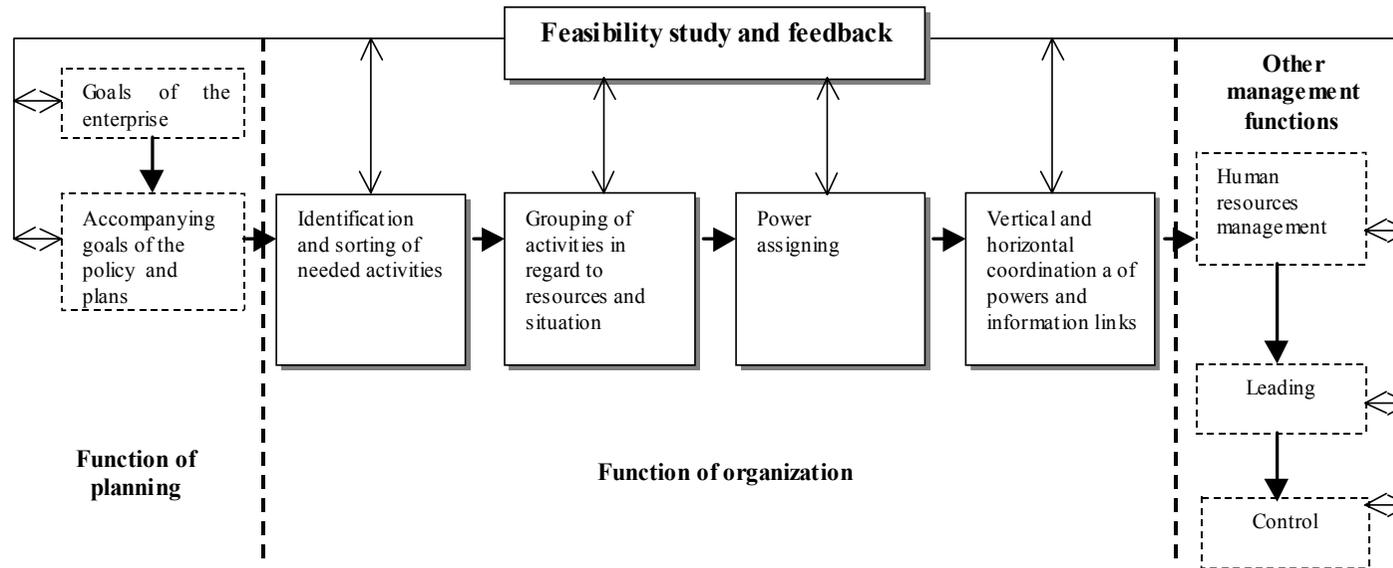


Figure 3. Organization process (Koontz/Weihrich, 1994, p. 258)

However, if the enterprise in question has already been operating for some time and if it is faced with specific organization problems, then the organization process is implemented in the following manner (Figure 4.):

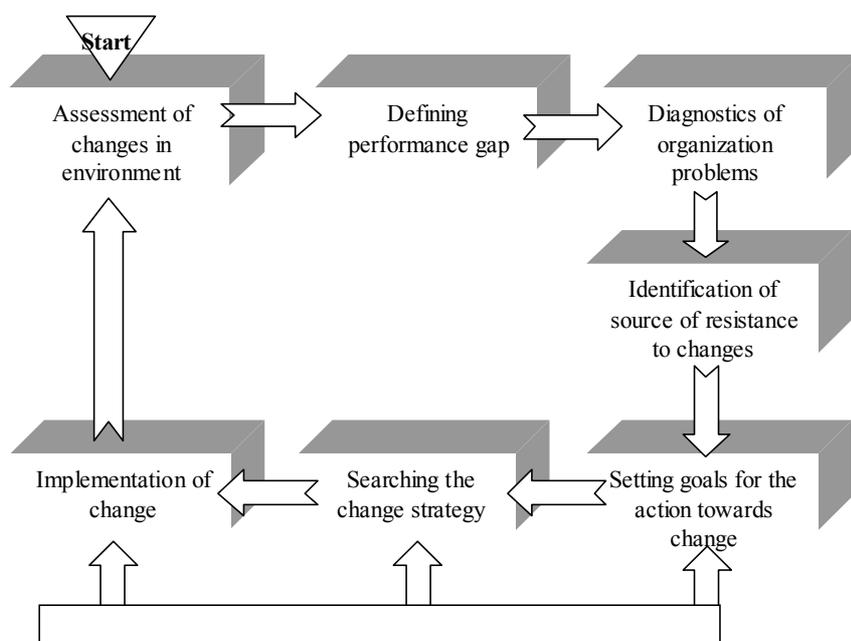


Figure 4. Organization process in organization problems (Buble, 1993, p. 120)

Fully appropriate implementation of the function of organization is necessary for efficient functioning of the enterprise, as this function is one of the most essential and inseparable components of management as a whole. In the modern economy, where owners/managers are, due to variable market conditions, faced with various problems, it is necessary to identify to what extent they react on given problems; organization problems, among others. Therefore, the first variable in the process of considering the implementation of the function of organization is **organization changes**, i.e. the question is raised: *Have there been any changes in functioning of the enterprise from its establishment?*

As anyone who wants to engage in any kind of business has to establish an appropriate organization, it is interesting to define to what extent the established organization in small enterprises secures the reaching of defined goals. Reaching defined goals faces the owner/manager with the task of establishing

an organization as a unique and harmonized combination of its integral parts because harmony, closeness and co-ordination secure, and to a great extent, guarantee reaching the defined goals of the enterprise. Therefore, the second variable in the process of considering the implementation of the function of organization is **the quality of the established organization**, i.e. the question is raised: *To what extent does the established organization enable reaching of defined goals?*

If he wants to run his enterprise successfully and to reach the set goals, the owner/manager has to know what organization resources he has at his disposal, as well as which organization resources are possible to be engaged at short notice in order to face the problems in market economies in a successful manner. As staff and funds are resources, without which an enterprise cannot function, it is necessary to define whether staff and resources are organized in a satisfactory manner. Therefore, the third variable in the process of considering the implementation of the function of organization, is **the quality of the organization of staff and funds**, i.e. the question is raised: *Are funds and staff of the enterprise organized in an adequate manner?*

Written work instructions enable employees to react in an adequate manner to various problem situations, which they may encounter in the operation of the enterprise, both in the internal and external environment. Therefore, the fourth variable in the process of considering the implementation of the function of organization, is **written work instructions**, i.e. the question is raised: *Have owners/managers of a small enterprise given written work instructions?*

3.3. Variables of the function of human resources management in a small enterprise

Although human resources management has been treated as an integral part of the management process for quite a long time, it has not always comprised all the components ascribed to it nowadays. However, dynamic changes to which enterprises have been exposed asked for adequate attention to be paid to human problems too and pursuant to it, the following conclusions were drawn (Buble, 1993, p. 203): a) human resources are the most significant resources of an enterprise and efficient human resources management represents a key for the success of the enterprise, b) success can be reached in the easiest way if close co-ordination exists between human resources management and management of other resources of the enterprise, aimed at reaching the goals of the enterprise. Consequently, it can be concluded that the field of the function of human

resources management is a large one, encompassing staff, their components and processes.

In the modern economy, in which the productivity and quality of work are the key to success and in which the dominant role in improving the efficiency of the enterprise is played by man, the function of human resources management takes on a new dimension of significance, while people, human potential and human potential management are becoming key-words and a dominant preoccupation of modern managers and enterprises.

The ability of the owner/manager to develop human potential to the maximum extent possible and make use of them has decisive importance for the enterprise and its success. In highly turbulent, uncertain and competitive circumstances, in which competition for the preference of consumers is becoming very sharp, there is a visible need for the owner/manager of a small enterprise to deeply observe and understand the significance of human resources.

As human resources represent a basis for defining competitive advantages, there is a need to exchange short-term orientation in regard to current problems and their resolving for long-term orientation and for considering operating needs for the future and also to define staff needed for implementing the future. Due to all of the above-listed reasons, it is necessary to create human resources management as a permanent, interactive and open process with the purpose of selecting the best possible options, which will enable the use and co-ordination of internal forces and external circumstances.

The process of human resources management in a small enterprise encompasses the following components: planning needs for staff, selection and distribution of staff, training and development of staff and policy of the enterprise towards the staff (Figure 5.).

Wanting to have a quality product or service and be at least a step ahead of competing enterprises, the owner/manager is aware that he has to employ quality staff that will be fully committed to the enterprise, as well as to him personally. That means that the manpower needs should be defined on the basis of rationally planned activities of the enterprise. Thus, the first variable in considering the implementation of the function of human resources management is **manpower need**, i.e. the following question is raised: *On what basis is manpower need defined?*

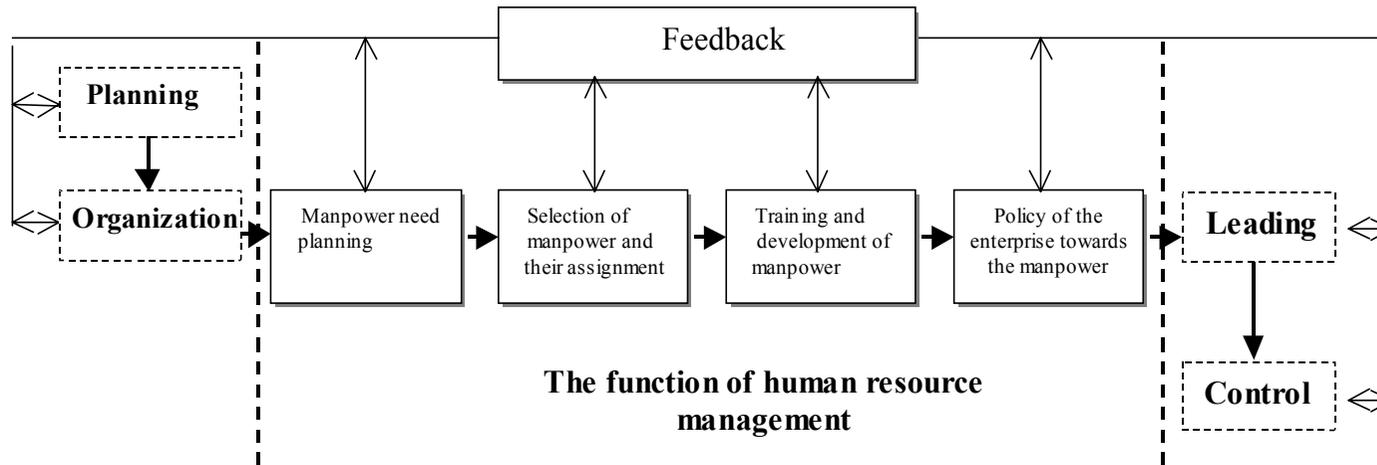


Figure 5. Process of human resources management in a small enterprise

As training and development of human resources is the most efficient way of acquiring competitive advantages, as well as a basic pre-condition for an enterprise to enter the competition-race for preference and trust of consumers/purchasers, it is necessary for a small enterprise to constantly train and develop its own manpower. Thus, the second variable in considering the implementation of the function of human resources management is **manpower training and development**, i.e. the following question is raised: *To what extent do small enterprises train and develop their staff-members?*

As owners/managers have a need to constantly assess relevant features (performances) of their employees, the way they are manifested and to what extent they are harmonized with the performances of a job performed by an employee, it is interesting to define to what extent is the principle of "a right man to a right post" applied in personnel policy of small enterprises' owner/managers. Thus, the third variable in considering the implementation of the function of human resources management is **quality of employed manpower**, i.e. the following question is raised: *To what extent does the employment of staff-members take into consideration the principle of "a right person to a right position"?*

Stimulation has a direct influence on the attitude employees have towards their work. When they are, out of any possible reason, not satisfied enough, their activities are reduced what influences negatively on the whole business operation of the enterprise. As satisfaction with one's work and increased efficiency are, among others, achieved by the stimulation of employees, it is interesting to define to what extent owners/managers of small enterprises stimulate their employees. Thus, the fourth variable in considering the implementation of the function of human resources management is **stimulation of employees**, i.e. the following question is raised: *Do owners/managers stimulate their staff through wage incentives or wage supplements?*

3.4. Variables of the function of leading in a small enterprise

Carefully implemented functions of planning, organization, human resources management and control would mean nothing for the successful business operation of an enterprise without the function of leading, i.e. if owners/managers did not understand their employees and if they did not know how to lead them towards reaching the set goals. Therefore, the function of leading enables owners/managers to lead their employees in satisfying their needs and in making use of their potentials, contributing to the overall goals of the enterprise. As the owner/manager is not supposed to deal directly with tasks

regarding the main field of activity of his enterprise, but is supposed to activate all available resources in order for that activity to be executed as successfully as possible, he is, on the other hand, very much responsible for the function of leading (as compared to other functions, the implementation of which can be entrusted to specialized agencies, the function of leading is dependant on the capability of the owner/manager exclusively).

Manpower is, as already mentioned, a key-factor for the successful business operation of an enterprise, what makes obvious the fact that an enterprise cannot be successful without quality leading, initiation of activities, engagement of manpower and creation of high motivation. Although many authors identify management with leading, they can be, nevertheless, distinguished and there is also a co-relation existing between them, i.e. it can be said that leading is just one of the manager's roles - leading is essential for a successful manager. Buble (1993, p. 292) describes an efficient leader as an individual with charisma, who is able to inspire and motivate others to follow him, while an effective manager is described as an individual who carries out all management functions in an efficient manner, securing business successes.

According to Bahtijarević-Šiber (1991, p. 238), a manager carries out, in the role of the leader, the following functions significant for the efficiency of an enterprise: co-ordination of group activities; activation of and mediation in inter-group conflicts; explanation of goals; creation of a vision and inspiration; explanation and suggestion of solutions; initiation and acceleration of activities; representation of the group towards outside and of organization towards the group; taking care for security and optimism in problem-situations; awarding; integration of the group; and renewal and development of the group. The above-stated list leads us to the conclusion that leading is a management function targeted mainly at manpower and social interaction, whereby exerting influence on them secures reaching the goals of the enterprise.

Employees of an enterprise are given tasks which they have to carry out in a responsible and quality manner. That is why it is very important to acquaint every employee with the responsibility he takes over for the given tasks and with the responsibility he takes over for the success of the enterprise. By creating an atmosphere of confidence and co-operation in his enterprise, the owner/manager tries to turn the responsibility of his employees into loyalty to the enterprise, which leads to their common goal - success of the enterprise. As it is very unfavourable for a small enterprise to have mistrust, animosity and bad relations in the ranks of its employees, individually and in groups, it is interesting to define to what extent there are specific groups within a small

enterprise which oppose the working rules. Therefore, the first variable in considering the implementation of the function of leading is **groups**, i.e. the following question is raised: *Are there any groups within the enterprise which oppose the working rules?*

As a problem actually represents a deviation from a desired situation, it needs to be noticed, i.e. one has to conclude that a problem exists. An unnoticed problem, a problem of which the owner/manager is not aware, seems not to exist at all. If there is an unnoticed problem, no one does anything to resolve it, and the consequences for further activities of the enterprise become negative. The problem which is noticed can be viewed in three manners: the problem is not of any importance and does not need to be resolved; postpone problem-resolving for a more convenient time and start resolving it; it is important to define who (and in what manner) resolves detected problems. Therefore, the second variable in considering the implementation of the function of leading is **problems**, i.e. the following question is raised: *In what manner are the problems resolved which arise in the course of a business operation ?*

As he pursues his business in communication with others, the owner/manager collects and transmits information significant for the further course of business operation. With different styles of management existing, there are different ways of communication in an enterprise: downwards; mainly upwards; downwards and upwards; and upwards, downwards and sideways. Therefore, the third variable in considering the implementation of the function of leading is **communication**, i.e. the following question is raised: *What are usual ways of communication in a small enterprise?*

As a decision is an impetus for an action, it needs to be precisely defined, especially if someone else, besides the owner/manager, implements it. The person who makes a decision is mostly not aware of his/her decision-making. Decisions made in an enterprise are numerous, they differ in meaning, substance, place, etc. The owner/manager of each enterprise should find ways of how to place a part of his decision onto his associates. As it disburdens the owner/manager and enables more quality decision-making (associates are more acquainted with specific areas of business operation than the owner/manager), one needs to define ways and places of decision-making. Therefore, the fourth variable in considering the implementation of the function of leading is **decisions**, i.e. the following question is raised: *In what ways and at what places are decisions made in an enterprise?*

3.5. Variables of the function of control in a small enterprise

The function of control, which enables reaching the set goals by measuring and correcting the business operation of an enterprise, cannot be implemented by itself and it necessarily has to be connected with other management functions (Figure 6.). It is obvious that planning presumes control as target-values, necessary for the implementation of control, are defined within planning, and as controlling influences other management functions, enabling the owner/manager an insight into the position of business activities and their harmony with goals of the enterprise.

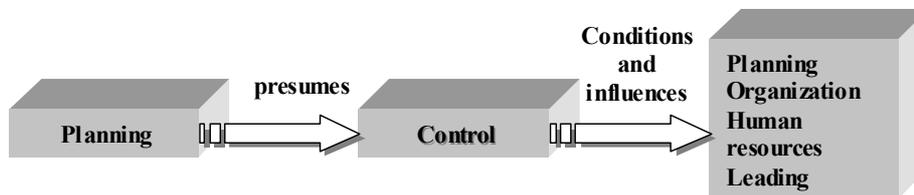


Figure 6. Connection of the function of control and other management functions

If there are any discrepancies between activities and set goals/tasks, they have to be analysed and the results of the analysis should be used for further definition of the management function, i.e. it can be said that control is justified only if deviation from the set goals/tasks is removed by the adjustment of planning, organization, human resources management and leading. Osmanagić-Bedenik (1998, p. 133) cites two sayings on control which reflect two extremes of its explanation: “Thrust is good, control is better.” and “Control is a sign of weakness.”, adding that regardless of which of those two concepts the owner/manager takes, it is indisputable that any enterprise needs both thrust and a kind of control.

Control being a process of systematic and permanent data processing, implemented because discrepancy between two parameters is detected (one of which has a role of measurement or norm), it is just like other management functions implemented in completed phases. Koontz and Weihrich (1994, p. 578-580) find systems and control techniques practically identical with financing business, office work, morality, products, etc. and according to them, the basic system of control comprises three phases, regardless of location or object of control and those are the following: definition of the factors, measures of efficiency to the factors, correction of deviation from the factors and plans.

The most complex issue the owner/manager is faced with is the implementation of the function of control. It has to be organised in a manner that all employees have the role of controllers, so that each particular employee controls his area of work. As there are many situations in which it is not quite clear who is supposed to control some occurrences, processes or tasks, the owner/manager should assign those subjects to someone, covering in that way the whole operation by an adequate control system. Therefore, the first variable in considering the implementation of the function of control is **authority to exert control**, i.e. the following question is raised: *Who implements the function of control within the enterprise?*

As all enterprises have a need to compare the accomplished values with the previously set ones, in order to detect probable deviation from the set values, amount of deviation and reasons which lead to it, it should be defined to what extent the accomplished values are compared within an enterprise to the set ones. Therefore, the second variable in considering the implementation of the function of control is **comparison of the accomplished with the assigned**, i.e. the following question is raised: *To what extent is the carrying out of tasks compared to the set plans?*

In case they detect some deviation, the owners/managers can opt for one of the following options: maintaining the *status quo* (suitable for a situation in which deviation from the set values is very low), correction of deviation (suitable in a situation in which deviation from the set values is high), change of plans (suitable for a situation in which the plans have been set unrealistically). Therefore, the third variable in considering the implementation of the function of control is **actions following the comparison**, i.e. the following question is raised: *What actions are taken if considerable deviation is detected by comparison of the accomplished values with the set ones?*

Although the object of control should encompass the overall business operation with all its elements: manpower and their actions, machines, equipment, utilities, materials, financing, information, etc., it is almost never possible to exert control over everything. Being so, owners/managers should choose those objects for control which have the highest influence on the events within the enterprise (human resources, machines, equipment, financing and information). Therefore, the fourth variable in considering the implementation of the function of control is **objects of control**, i.e. the following question is raised: *Which elements of the business operation of the enterprise fall within the scope of control?*

4. SHAPING THE EVALUATION SYSTEM AND EVALUATION OF VARIABLES

After 20 basic variables for defining the level of implementation of the management function in small enterprises have been established, the polling method is used for collecting and analysing the data needed on a showpiece through a questionnaire. The questionnaire is designed, first of all, for owners/managers of small enterprises and their closest associates.

In addition to the questions on basic variables of management functions, owners/managers are expected to answer questions on the characteristics of the enterprise and their own characteristics too. Questions have a closed-in form, i.e. persons questioned are expected to choose one or more answers from those offered. Those closed-in questions have, of course, their negative sides, but they are chosen out of the following reasons: persons questioned do not need to be highly educated, a great number of persons questioned give answers to those questions, the task they are faced with is less difficult (it is easier just to choose an answer than to describe it in one's own words), there is a possibility of posing a higher number of questions, they are easier to be processed and their verification value is higher too (Zelenika, 1998, p. 370-371).

With the aim of securing a worthy, precise and objective measuring of the set variables, the evaluation system is created in a manner that persons questioned answer the questions in different scopes (Table 1.), answers being adequately marked (1 – insufficient, 2 – sufficient; 3 – successful; 4 – very successful).

After giving the appropriate marks (weight) to each answer, it is possible to calculate the average value of chosen variables through a simple procedure. Multiplication of answers of the persons questioned (f_i) with appropriate marks (X_i) gives partial amount ($X_i * f_i$). The total of partial amounts ($\sum X_i * f_i$) divided with the total of persons questioned ($\sum f_i$) gives the average value of a variable (X_n), i.e. the weighted arithmetic average is to be defined. Weighted arithmetic average is chosen because weight enables each answer to participate to some extent into counting the values of variables.

After the average value of all the variables is defined, it is then possible to define the total level – value of the implementation of management functions (R) in small enterprises, as well as the level-value of the implementation according to individual functions (R_p ; R_o ; R_{hrm} ; R_i ; R_c).

Table 1. Model of implementing management functions in small enterprises

P lanning	1.	Strong and weak points of the enterprise	not good	pretty good	very good	excellent
	2.	Main area of enterprise's goals	not good	pretty good	very good	excellent
	3.	Long-, middle- and short-term plans	none	some	almost completely	completely
	4.	Strategy of the enterprise	don't know	not known	known but not documented	known and documented
Organi- -zation	5.	Changes in the mode of organization	none	some	almost completely	completely
	6.	Quality of the established organization	not good	pretty good	very good	excellent
	7.	Organization of staff and resources	not good	pretty good	very good	excellent
	8.	Written instructions	none	some	almost completely	completely
HRM	9.	Human resources planning	other	from case to case	acc. to experience	acc. to plan
	10.	Training and development of staff	none or very scarce	relatively little	medium	a lot
	11.	Quality of the employed people	none very scarce	relatively little	medium	a lot
	12.	Stimulation of staff	none	rarely	often	yes
Leading	13.	Groups resisting to working rules	to great extent	medium	little very little	none
	14.	Ways of communication	downwards	upwards	downwards and upwards	Downwards, upwards a. sideways
	15.	Problem-resolving	don't know	individually	individually-in a team	in a team
	16.	Decision-making	At the highest level without any consultations	consultations form time to time	consultations almost all the time	at all levels
Control	17.	Authority to exert control	Director exclusively	Director to significant extent	all leaders	leaders and employees
	18.	Comp. of the accomplished with the assigned	none very scarce	relatively little	medium	a lot
	19.	Actions following the comparison	no answer	status quo	correction from deviation	change of plans
	20.	Object of control	25%	50%	75%	100%

System 2

System 3

The level of the implementation of management functions is calculated by the mean-value of the average value of variables, in a way that partial values (X_n) of all variables are put together and the total ($\sum X_n$) is divided with the number of variables (n). According to this, a general pattern is made for calculating values of chosen variables, as well as a pattern for calculating levels of the implementation of management functions in small enterprises.

$$X_n = \frac{\sum X_i f_i}{\sum f_i} \quad R = \frac{\sum X_i}{n}$$

5. DEFINING LEVELS OF EVALUATION (SYSTEMS)

After the value of each particular variable is defined, three basic systems, i.e. the levels of implementation of management functions in a small enterprise, are defined. It should be mentioned that each of those three systems indicates the level of implementation of management functions in small enterprises and, according to that, their chances for further growth and development.

System 1 (danger) – level of implementation of management functions ranges from insufficient to sufficient. Owners/managers do not implement management functions and are in danger of losing their position at the market and of going bankrupt.

System 2 (risk) - level of implementation of management functions ranges from sufficient to successful. Owners/managers implement management functions to a significant extent, but yet, not to a sufficient extent and not correctly enough. Therefore, they are placed in such a situation which does not guarantee a desired result.

System 3 (progress) - level of implementation of management functions ranges from successful to very successful. Owners/managers implement management functions in a satisfactory manner and they can expect the purpose and mission of their enterprise to be fully fulfilled.

6. SHAPING THE MODE OF PRESENTATION (INTERPRETATION OF RESULTS)

As it enables the maintaining and developing of all organizational forms (regardless of their size or activity) by its own functions and their inter-links, management is viewed as a unity. Therefore, a polar diagram (Figure 7.), which

presents the whole problem as a unity, is chosen for interpretation of collected and processed data.

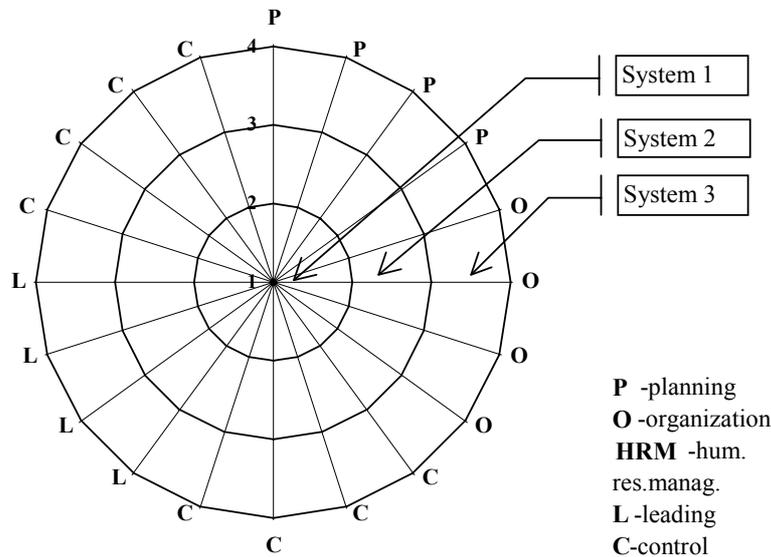


Figure 7. Presentation of collected data in a diagram

A polar diagram is formed in such a way that 20 variables present a polar circle with 20 forks (semi-axes). Units of measure, i.e. values which can be acquired by individual variables (1, 2, 3, 4), are drawn into axes of the circle, while spaces between individual axes represent identified systems (system 1, system 2, system 3). With this mode of presentation, i.e. interpretation of the processed data, it can be clearly seen to which defined systems a small enterprise belongs.

Depending on to which system the small enterprise belongs, its owner/manager can notice his own positive and negative sides of implementing particular management functions and, in accordance with that, undertake appropriate measures (engagement of management specialists, acquiring new knowledge...) in order to bring his own enterprise from the lower to upper level and enable its further survival at the market.

7. CONCLUSION

Although small enterprises have a whole range of market advantages, i.e. they become aware of their buyers/consumers' wishes in a very short time, they more speedily adapt themselves to market changes, they make use of available resources, they communicate with their environment in a very simple and speedy manner, they are highly motivated, they manage their reserves efficiently, etc. A great number of them fail due to insufficient knowledge and no application of the management theory in practice by their owners/managers.

Therefore, in this paper, a model has been developed, which can be used for defining the level of implementation of management functions in small enterprises, as well as the level of implementation of basic variables of each particular management function. Basic variables have been chosen in such a way which enables getting as much information as possible, which can create as accurate a picture of the enterprise as possible, using as few variables as possible. The following variables have been chosen, presented in Table 2.

Table 2. Basic variables of management functions in small enterprises

<i>Function of planning is measured by variables</i>	<i>Function of organization is measured by variables</i>
<ul style="list-style-type: none"> • strong and weak sides of the enterprise • main area of enterprise's goals • short-, middle- and long-term plans • strategy of the enterprise 	<ul style="list-style-type: none"> • changes in way of organization • quality of established organization • organization of staff and resources • written instructions for work
<i>Function of human resources management is measured by variables</i>	<i>Function of leading is measured by variables</i>
<ul style="list-style-type: none"> • human resources planning • quality of employed human resources • training and development of human resources • stimulation of human resources 	<ul style="list-style-type: none"> • groups resisting to working rules • ways of communication • problem-resolving • decision-making
<i>Function of control is measured by variables</i>	
<ul style="list-style-type: none"> • responsibility of control • comparison of the accomplished with the assigned 	<ul style="list-style-type: none"> • actions following the comparison • object of control

The efficiency of the developed model has been tested on a pattern of 88 small enterprises and the result is presented in Figure 8.

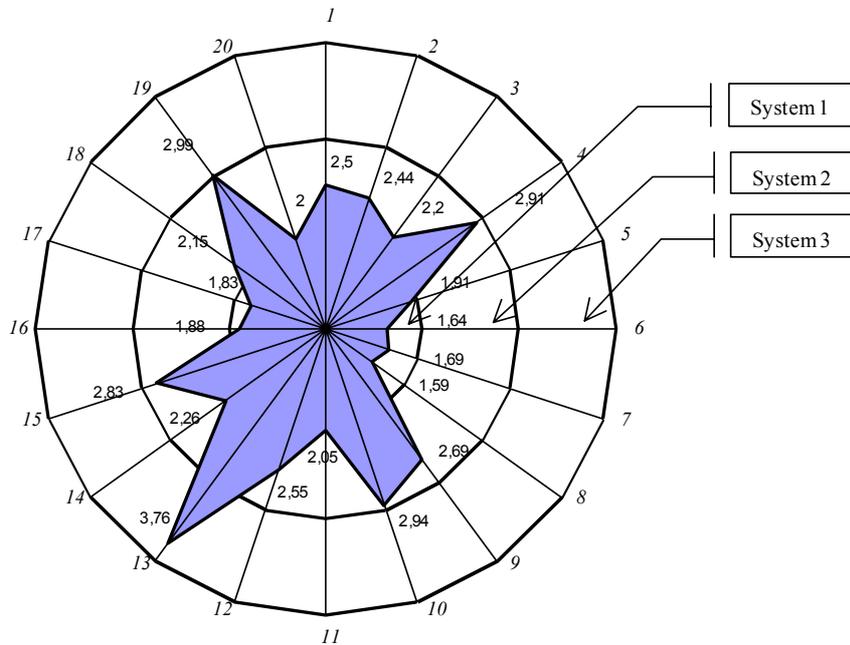


Figure 8. Results of testing the model of defining the level of implementation of management functions in small enterprises

The diagram shows the results of testing according to which the implementation of the management functions of small enterprises of the Western-Herzegovina canton belongs to System 2, and the level varies, depending on the function: *function of planning* – average value 2.51; *function of organization* – average value 1.71; *function of human resources management* - average value 2.56; *function of leading* - average value 2.68; *function of control* - average value 2.24.

Therefore, owners/managers of small enterprises should undertake the following measures:

- *Make an analysis of the internal and external environment within the function of control and see which elements and to what extent influence the enterprise; define goals in a way that they are directly connected with the purpose and mission of the enterprise; make short-term, middle-term and long-term plans which are harmonized with each other; define and document the strategy;*

- *Harmonize changes in the organization mode within the function of organization, with growth and development of the enterprise, so that tasks are assigned in a quality and efficient manner and employees are coordinated; make a whole organization a united and harmonious combination of its individual parts; adjust the quality and possibilities of resources (staff and resources); define rules, programmes and procedures in writing, so that employees can adequately react to probable sudden situations;*
- *Base human resources planning, within the function of human resources management, on defined goals and expected changes; selection of staff should satisfy future expectations; training and development of staff should become a dominant preoccupation; stimulation of staff should be just and equal.*
- *In implementing the function of leading, the purpose and mission of the enterprise should be defined and transmitted to employees; ideas and opinions of subordinates should be used in a constructive manner; employees should be encouraged to participate in decision-making and goal-setting; team-work should be encouraged too.*
- *Within the function of control, the system of control should be adequately worked out (as clear, easily adaptable, based on accurate data, rooted in realistic and logically set goals, cheap and demanding to minimum extent) and should be based on the following: goals which are exclusively the result of the function of planning, engagement of both managers and employees, application of adequate methods of control, control of all resources available in the enterprise.*

In order for the implementation of management functions in small enterprises to be raised significantly, what would remove the main and biggest reason for the bankruptcy of small enterprises –weak management.

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MODEL UTVRĐIVANJA RAZINE OSTVARIVANJA FUNKCIJA MANAGEMENTA U MALIM PODUZEĆIMA

Sažetak

Za većinu znanstvene i stručne javnosti mala poduzeća, bazirana na osnovama privatnog vlasništva i poduzetničke sposobnosti, predstavljaju pokretače gospodarskog razvitka kako u razvijenim tržišnim gospodarstvima tako i u gospodarstvima zemalja u procesu tranzicije. Istodobno razna istraživanja pokazuju kako je za veliki broj malih poduzeća koja propadaju glavni uzrok (preko 90%) loš management odnosno nepoznavanje funkcija managementa (planiranje, organiziranje, kadroviranje, vođenje i kontroliranje) i potrebe za provođenjem istih u praksi. Iako je teško definirati sastojke u receptu uspjeha kao i precizno definirati važnost različitih elemenata, te bez obzira što mnogi autori smatraju da teoriju managementa koja je stvorena za velika poduzeća nije moguće primijeniti u malim poduzećima smatramo kako je za svako malo poduzeće presudan utjecaj njegova vlasnika/managera i njegova primjena teorije managementa u suvremenim gospodarskim uvjetima. Stoga autor u ovom radu predstavlja model kojim se utvrđuje razina ostvarivanja funkcija managementa u malim poduzećima kao i tri sustava - razine (opasnost, rizik, napredak) u kojima se mala poduzeća mogu naći. Nakon utvrđivanja razine ostvarivanja funkcija managementa moguće je provesti korektivne radnje koje će uočene nedostatke otkloniti. Prilikom izbora varijabli modela autor je u obzir uzeo specifičnosti malog poduzeća kao i specifičnosti njihovih vlasnika/managera.