

Management Between Developed and Transitional Economies: The Case of Croatia

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The paper “Management Between the Developed and the Transitional: The Case of Croatia” addresses the key research question of management development within the context of the European Union, comparing highly developed economies such as Germany with transitional economies such as Croatia. The research examines the hypothesis that Croatian management exhibits a substantially lower level of development compared to German standards and remains in a deep transitional phase. This hypothesis is tested through an empirical study conducted in 2025 on a sample of 10 medium-sized enterprises (up to 250 employees), based on questionnaires distributed to top and middle management, with responses rated on a Likert scale from 1 to 5. In this paper, the historical development of management from the industrial revolutions to contemporary models is followed, highlighting the evolution of the P–O–L–C functions (planning, organizing, leading, controlling) according to Fayol and their symbiosis within the German model, where controlling plays a central role in supporting decision-making through the integration of e-technologies such as SAP systems. In Croatia, three generations of management theorists are identified. The first generation (Buble, Sikavica) introduced five functions, accompanied by inaccurate translations, such as using “controlling” in the sense of “control” rather than controlling as a management function. The second generation largely replicated earlier insights, while the third generation gradually introduced new concepts through controlling literature, yet without broader acceptance. At the same time, the distinction between management (as an operational process) and governance (as owner supervision) remains unclear due to the legacy of centralised planning. The empirical survey results reveal critical deficiencies in management practice, where management is reduced to intuitive decision-making by top management and a short-term profit orientation, without strategic goals, annual planning, implementation monitoring, or systematic market intelligence, while controlling is interpreted as internal control and perceived as unnecessary (scores ranging from 0 to 2). From a theoretical perspective, Croatia achieves only 10.5 points compared to Germany’s 60 (17.5% of relative development), reflecting deficiencies in predictive analysis, lifelong learning, and the transfer of knowledge to the wider community. The German “school of management”, developed through cooperation between universities and industry, ensures resilience and competitiveness. At the same time, the Croatian system suffers from fragmentation, limited cooperation (mainly with Bosnia and Herzegovina), and the absence of long-term programmes beyond Erasmus, which confirms the hypothesis and highlights risks for Croatian entrepreneurship, a significant segment of the national economy. In conclusion, systematic reforms are needed: adoption of German standards, mandatory lifelong learning, international cooperation, and the integration of controlling at all organisational levels in order to close the gap and support sustainable growth within the EU context.

KEYWORDS

- ~ Management development
- ~ Transitional economies
- ~ Maritime enterprises
- ~ Controlling
- ~ Strategic management
- ~ Sustainable growth

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1. INTRODUCTION

1.1. Problem and research scope

As a result of industrial development – particularly after the First and the Second Industrial Revolution – management emerged in practice. This was a period in which management developed within the production process, that is, management whose primary objective was to organise production in a profitable manner, regardless of the internal and external environment. Thus, the 17th and 18th centuries were marked by the beginnings of management in manufacturing practice, and it is therefore not possible to speak of management theory, but rather of various examples of leadership in practice, driven by short-term results. At that time, the setting of objectives – both short-term and long-term – and, in accordance with those objectives, the development of plans, was largely unknown. Nevertheless, major industrial powers such as France, the United States, and England, within rapidly growing economies, demanded improved performance, which in turn imposed the need for the development of management theory. Owing to individuals who, through the practice of management, identified key determinants of successful business performance, management began to develop as a theoretical discipline, which was subsequently applied in practice. It can therefore be concluded that the development of management, as well as management-based approaches to leadership, has occurred gradually and follows certain regular patterns that should be taken into consideration.

From today's perspective – namely, in the era of the Fourth and now the Fifth Industrial Revolution – the research question arises as to how management is developing in the present time and whether it has evolved in a uniform manner across all countries and national economies. Given the differences in the level of development among European Union Member States and their economies, the research question is situated within the EU context and formulated as a comparison of the level of development of management theory in developed EU countries and in transitional economies, such as Croatia. Therefore, the subject of this research is focused on analysing and comparing the level of management development in developed countries and transitional EU Member States.

1.2. Management and governance

Management and governance are two concepts associated with long-established, market-oriented, and developed economies. The initial development of the concepts of management and governance, as well as their interrelationship, is linked to the concept of the enterprise, and in particular to the development of complex corporate systems in entrepreneurially oriented economies. However, observed from the perspective of the European Union and the differences between developed member states and member states whose economies are in transition, the differences in development and understanding of the connection between management and governance differ significantly. From the perspective of Croatia, as a country and economy in transition, the concept of management remains insufficiently elaborated and accepted, which has resulted in studies that do not clearly distinguish management from governance.¹ Nevertheless, thanks to certain prominent researchers, this issue has gradually been addressed, and today it is clear that management and governance are not the same, although they are interconnected.² Their difference stems primarily from capital ownership: the owner of invested capital – once it becomes the company's capital and the company becomes privately owned – delegates objectives to management, which essentially revolve around profit, incorporating market risk. This means that a clear relationship is established between the capital owner, who appoints the company's management board, and the management, serving as a model of their mutual interaction.

¹ Gutić, D. & Nakić, S. (2007.) *Menadžment komunalnih usluga*, Široki Brijeg, Hercegtisak

² Tipurić, D. i sur. (2015.) *Korporativno upravljanje u Hrvatskoj*, Stručna knjižara, CIRU

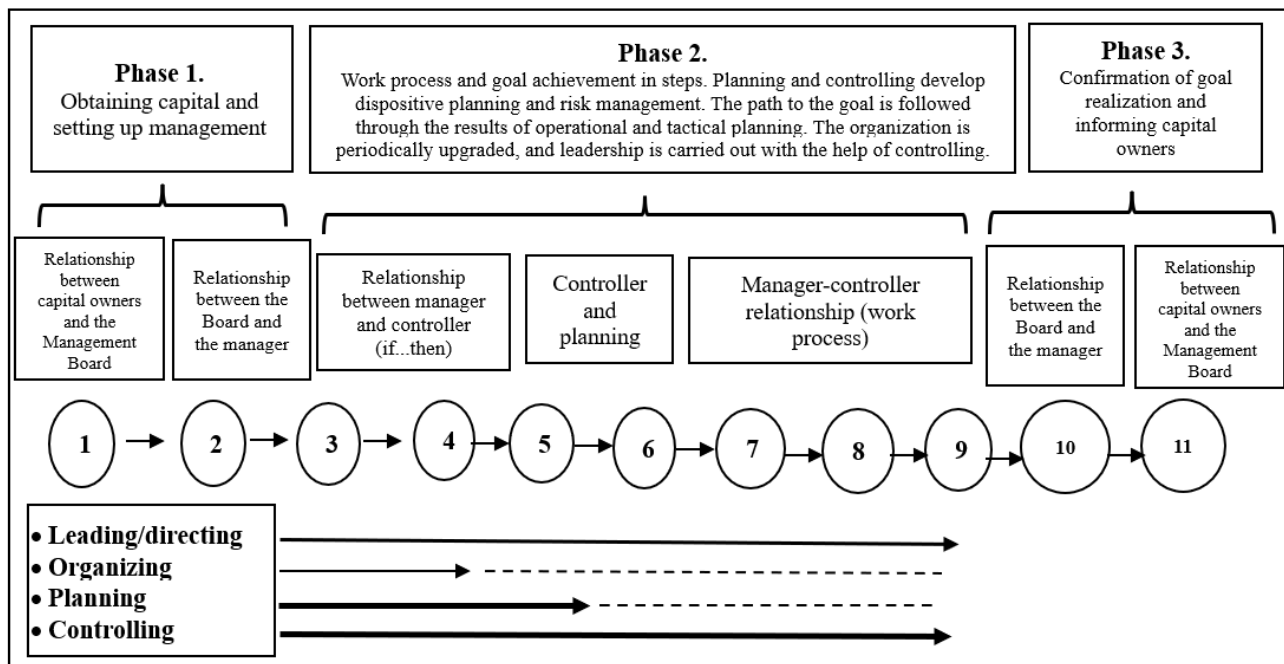


Figure 1. Model of the functioning of the management board and management (Source: Luković et al., 2025)

Legend - step description:

1. Raising capital and setting up the company's Management Board and transferring the owner's strategic goals to the Management Board. The management formulates operational one-year goals.
2. Establishing the relationship between the Management Board and the manager and assigning one-year operational goals to the manager, with reference to the strategic goals.
3. Initiation of the work process and establishment of the relationship between the manager and the controller based on an "if...then" principle.
4. The controller cooperates with the manager and designs the information and monitoring system for the entire business process.
5. Setting the plan and establishing a controlling-based planning system.
6. Development of Discretionary Planning and Cooperation between Controllers and Risk Management.
7. Participation of controlling in organising.
8. Participation of controlling in leading/directing.
9. Continuous monitoring of achieved results within a system of personal self-supervision.
10. The annual business cycle is completed. The controller has prepared the results of the one-year business operations and submitted them to the Management Board. The Management Board, in cooperation with the manager, discusses the success of goal implementation.
11. The capital owner and the Management Board draw conclusions regarding performance and formulate operational goals for the following year. They also discuss the dynamics of achieving strategic goals.

As can be seen from the model, after capital is raised and invested as the company's capital, the owner appoints the Management Board and delegates goals, after which the entire process is monitored, both in the short and the long term. However, governance in transitional economies is not sufficiently clarified. In explaining governance, Tipurić notes that Croatian economic literature commonly defines governance as the way in which providers of financial inputs in an organisation ensure a return on their investments. He also emphasises that corporate governance is primarily associated with the supervision of managers by shareholders, who, through governance bodies, assess the quality of management performance as well as the dynamics of achieving goals.³ Recognising the interests of the Management Board and other actors within the company, Tipurić argues that the definition of governance should be expanded to include a broader group of *stakeholders*, as well as *shareholders*. Without further elaboration, it is evident that there is a significant difference between management and governance, although both constitute the core of the business process.

Nevertheless, for the purpose of defining governance and management, developed countries disseminate knowledge and make it accessible to those in need through the use of the Internet and social media; in this context, an article by Beta is particularly relevant, stating that: "Governance and management play related but distinct roles in organisations, portfolios, programmes and projects:

- governance sets the direction and provides the overarching structure for accountability and decision-making needed to ensure work is aligned to strategic goals and stays on track to deliver them. This includes prioritising, authorising, directing, empowering and overseeing management, and assuring and reviewing performance,
- management is focused on the day-to-day work. This includes planning and resource allocation, team leadership, monitoring performance and progress, and addressing risks, issues, and change requests."⁴

In line with the management process, numerous definitions of management have been proposed, among which the most common today is the definition by Kreitner, who states: "Management is the process of working with and through others to effectively achieve organizational objectives by efficiently using limited resources in the changing environment."⁵ Developing his view of management, Kreitner identified three fundamental determinants of management:

- a) the manager does not perform tasks directly, but rather assumes a leadership role by guiding task performers and motivating them, to achieve set goals through the greatest possible contribution of employees (working with and through others)
- b) management exists because of goals and is oriented toward identifying the optimal path to goal achievement through joint efforts, in which case goal achievement is considered the key measure of management success
- c) a balance between effectiveness and efficiency must be ensured, and the business entity must continuously adapt in order to be prepared for existing environmental changes as well as those that may arise in the future.⁶

Nevertheless, differences in the development and understanding of management can be observed among developed countries, as well as among major economic communities such as the European Union, the United States, and Japan, and these differences largely stem from cultural factors.

1.3. Development of modern management

In line with the application of the industrial revolutions, that is, the application of technology, social relations have also evolved. These developments have been reflected in management, whose beginnings in the theory of modern management can be traced back to the early twentieth century.

Modern management, as understood today, initially developed through the functional principle, which is currently complemented by a process-oriented approach that, to some extent, reduces the emphasis on functions by highlighting individual processes. Such an approach is typically applied in the interpretation of processes within specific types of management, for example in sports management.⁷ Nevertheless, it is more appropriate to associate modern management with the functional principle, which remains dominant in all respects. Accordingly, after numerous attempts to define management functions, contemporary management theory has returned to Fayol and his work *General and Industrial Management*. Although it was published in 1919, having been written earlier, it was only in 1949 – during the period of post-war reconstruction – that it gained broader recognition and acceptance as the foundation of modern management, at least within the European context.⁸

⁴ Beta, Government Project Delivery (2025.) *Chapter 4. Governance and management*, UK; www.projectdelivery.gov.uk/teal-book/home/part-a-project-delivery-in-government/chapter-4-governance-and-management/ (9th January 2026)

⁵ Kreitner, Robert, J. (1995.) *Management*, 6th edition, Houghton Mifflin (Academic), USA, 1995., p. 12.

⁶ Kreitner, Robert, J. (1995.) *Management*, 6th edition, Houghton Mifflin (Academic), USA, 1995., p. 12.

⁷ Luković, T. & Lebefromm, U. & Jerkunica, A. (2023.), *Controlling u sportskom menadžmentu*, Aspira University of Applied Sciences Split.

⁸ Fayol, Henry, (1949.), *General and Industrial Management*, Translate from French Edition, Sir Isaac Pitman & Sons Ltd, London.

Taylor, F. (1911)	Fayol, H. (1841, 1925)	P. Drucker (1961)	R. Kreitner (1989)	W. Koontz (1994)	<i>Encyclopaedia of Management</i>
1. Develop a science for each element of work 2. Scientifically select, train, teach, and develop the worker 3. Cooperate with the worker 4. Divide the work and responsibility	1. Planning 2. Organizing 3. Commanding 4. Coordinating 5. Controlling	1. A manager sets objectives. 2. A manager organizes. 3 A manager motivates people by making 'people decisions' on compensation. 4. A manager measures performance. 5. A manager develops himself and others.	1. Planning 2. Organizing 3. Decision making 4. Communication 5. Motivation 6. Leading	1. Planning 2. Organizing 3. Staffing 4. Leading 5. Controlling	1. Planning 2. Organizing 3. Leading 4. Controlling

Table 1. Development of management functions throughout history⁹ (Source: Luković, 2014)

Parallel to Fayol in Europe, the American scholar Taylor developed a similar understanding of management; however, he adapted management functions to the specific context of American economic development, resulting in differences between their respective functional frameworks.

Building on Fayol's functions, developed European countries gradually developed their own management models over many years, sharing a common orientation toward a market-based economy, while the remaining differences – generally minor – stem from cultural heritage. Following the major global crises of the 1990s, the German School of Management gained recognition and today it serves as the foundation of a broader European school of management.

1.4. Management in developed EU Member States

Developed EU Member States and their economies have continuously advanced their market-oriented economic systems throughout their historical development, which was not interrupted by communism or socialism.¹⁰ Capital-oriented economies of Western European countries, which today form the backbone of the European Union, have developed national management systems in a largely similar manner, in contrast to countries whose economies were constrained by socialism. Through decades of uninterrupted development, these economies have refined management models characterised by precision, efficiency, and the integration of advanced technologies, thereby achieving a high level of global competitiveness.¹¹

The development of modern management theory, adapted to the era of technological advancement, has been particularly pronounced in Germany, where management evolved through intensive cooperation among leading German universities.¹² The German management model – known for its formalisation, bureaucratic structure, emphasis on precise planning, and clear allocation of responsibilities – has been developed within collaborative frameworks involving universities participating in projects such as KaWuM and WiMaKo. University cooperation in the development of management models focused on new skills and competencies required for hybrid organisational structures.¹³ This collaboration resulted in an

¹⁰ Bloom, Nicholas & Schweiger, Helena & John Van Reenen, (2011.), *The Land that lean Manufacturing forgot? Management Practices in Transition Countries*, National Bureau of Economic Research, Cambridge, MA 02138; www.nber.org/system/files/working_papers/w17231/w17231.pdf (9th January 2026)

¹¹ Bodrožić, Zlatko & Adler, Paul S. (2018.) *The Evolution of Management Models: ANeo-Schumpeterian Theory*, SAGE, Administrative Science Quarterly 63; www.faculty.marshall.usc.edu/Paul-Adler/research/models.pdf (9th January 2026)

¹² Koschatzky, Knut, (2014.), *New forms of regional interaction between universities and industry evidence from Germany*, ECONSTORE, Fraunhofer Institute for Systems and Innovation Research ISI Competence Center "Policy and Regions" Karlsruhe, Germany; www.econstor.eu/bitstream/10419/95961/1/782390382.pdf (9th January 2026)

¹³ Karch, Oliver (2024.), *Cultural Differences in Management: France, Switzerland and Germany*, www.linkedin.com/pulse/cultural-differences-management-france-switzerland-germany-karch-de06f/ (9th January 2026)

evolution from traditional models toward advanced forms that integrate controlling, planning, and cross-boundary work, as documented in recent studies on multiple hybrid organisations in German higher education.¹⁴

An important contribution to the development of German management has been made by SAP, which is based in Germany and provides services across the European market. SAP's influence is evident in the integration of ERP systems into the educational processes of German and European universities, where case studies are used for training in procurement, sales, and financial controlling, thereby strengthening managers' practical skills.¹⁵ In comparison with other countries, such as France – where management places greater emphasis on centralisation and creativity, often involving lengthy meetings for idea development – the German approach remains strongly result-oriented and focused on rapid, fact-based decision-making. These differences among developed EU Member States illustrate the adaptation of management models to national cultures; nevertheless, their shared emphasis on innovation and efficiency clearly distinguishes them from transitional economies such as Croatia.¹⁶

Empirical research shows that developed EU countries, such as Germany, achieve the highest scores in management practices, with averages exceeding those of transitional countries, due to continuous reforms and strong institutional support. Recent studies highlight the evolution of management models through successive waves of technological revolutions, with Germany leading in combining *new public management* with regional interactions between universities and industry.¹⁷ In this context, a functional linkage between science and the economy is emphasised, extending to society as a whole. The exchange between the two sides involves the deliberate transfer of academic knowledge or the use of knowledge-relevant resources and infrastructure. Based on the current state of research, as noted by Berghäuser, exchange activities that meet two criteria can be grouped into four types of knowledge transfer activities: (1) cooperative knowledge development, (2) knowledge sharing, (3) knowledge commercialisation, and (4) personal transfer or “transfer through individuals”¹⁸ Berghäuser further emphasises that the growing importance of knowledge transfer and its conceptual expansion are also reflected in the discourse on the strategic development of universities. In recent years, knowledge transfer has increasingly become a component of institutional strategies and profiling activities of universities in Germany. Accordingly, a model has been developed that conceptualises the knowledge transfer profile, which is used to analyse university mission statements.

¹⁴ Michael Hoelscher, Michael & Lauer, Jan, (2024.), *German higher education managers in the multiple hybrid university and their positioning with respect to third space*, London Review of Education, UCL Press; <https://journals.uclpress.co.uk/lre/article/pubid/LRE-22-41/> (9th January 2026)

¹⁵ Backer, Finn (2024.), *Partner 2 partner collaboration in Higher Education Sector*, Technology Blog Posts by SAP; <https://community.sap.com/t5/technology-blog-posts-by-sap/partner-2-partner-collaboration-in-higher-education-sector/ba-p/136309> (9th January 2026)

¹⁶ Pudelko, Marcus & Harzing, Anne-Wil, (2007.) *How European is management in Europe? An analysis of past, present and future management practices in Europe*, Accepted for European Journal of International Management; <https://www.academia.edu/17465100/> (9th January 2026)

¹⁷ Berghäuser, H. & Krauter, T. & Stolz, C. & Butz, B. (2025.) *Mapping knowledge transfer of German universities – an analysis of 145 mission statements*, European Journal of Higher Education, Routledge

¹⁸ Berghäuser, H. (2020.), *Die Dritte Mission von Hochschulen in Deutschland : Strategie oder Window Dressing?*, Fraunhofer-Institut für System- und Innovationsforschung ISI; www.katalog.bibliothek.kit.edu/bib/1198527 (9th January 2026)

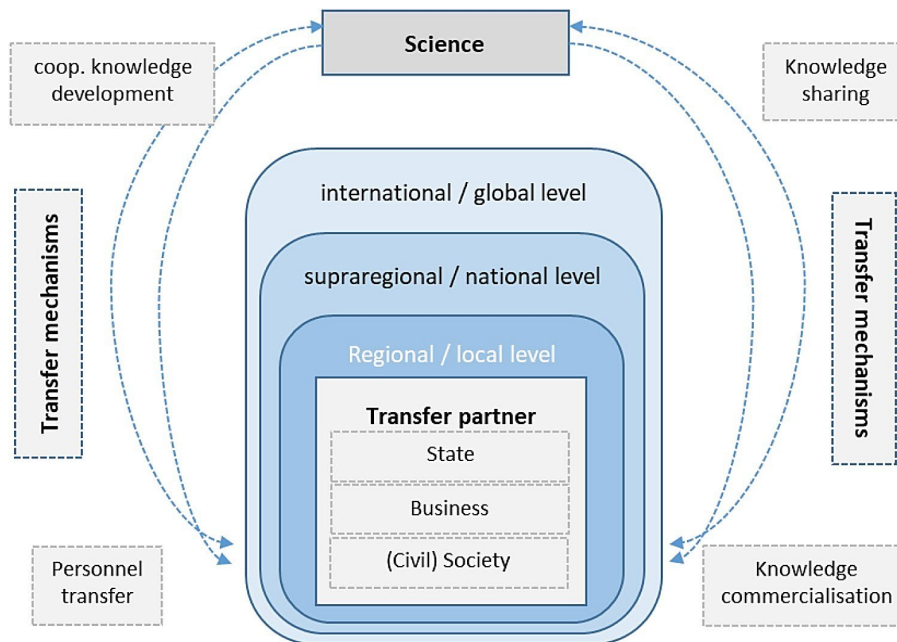


Figure 1. Concept of the knowledge transfer profile used for the analysis of university mission statements. (Source: Berghäuser et al., 2025)

The demonstrated evolution of knowledge and its transfer to the wider community enhances resilience and, consequently, productivity. This represents a key distinction in comparison with transitional countries, which are still addressing inherited challenges stemming from centralised planning.

1.5. The German School of Management

As a result of long-term cooperation among leading German universities, the German School of Management has emerged. In light of the achievements of this School, it now promotes a European concept of management in which planning and controlling form an integrated unity and represent the core strength of controlling. This concept has evolved through the application of e-technologies, particularly through successive generations of SAP systems. Based on the four fundamental management functions – planning, organizing, leading, and controlling¹⁹ – the German School has established a model in which leadership emphasises the unity of management functions and planning.



Figure 2. The P-O-L-C framework in the German School of Management. (Source: Luković, 2014)

¹⁹ Encyclopaedia of Management, 6th edition, GALE Cengage Learning, United States of America, 2009., p. 517.

When observed within the framework of enterprise processes, controlling assumes the role of coordinating all operational management functions. In its role as support to the manager, controlling provides timely and relevant information that forms the basis for managerial decision-making.²⁰ Within this system, planning is closely integrated with controlling. Commenting on their symbiosis, a leading figure of the German – and consequently the European – School of Management, A. Deyhle, states²¹: “The setting and pursuit of goals is the most fundamental task of guiding managers. Controlling is the task of every manager. Controllers do not make controlling, they rather support executives in the management process of defining goals, planning, and control. Controlling means good teamwork, formed by the interaction of management and controllers’ activities. The aggregated controlling competences therefore benefit controllers and managers likewise.” Thus, planning and controlling are two inseparable functions that mutually support and give meaning to one another. Together, they subordinate the remaining two functions – organizing and leading/directing – to goal achievement, thereby forming P. Drucker’s management by objectives concept. In this way, a management model has been created that has proven highly functional in practice and has served as a foundation for the development of new mega-schools of management, such as the Japanese and, more broadly, the Asian school of management.

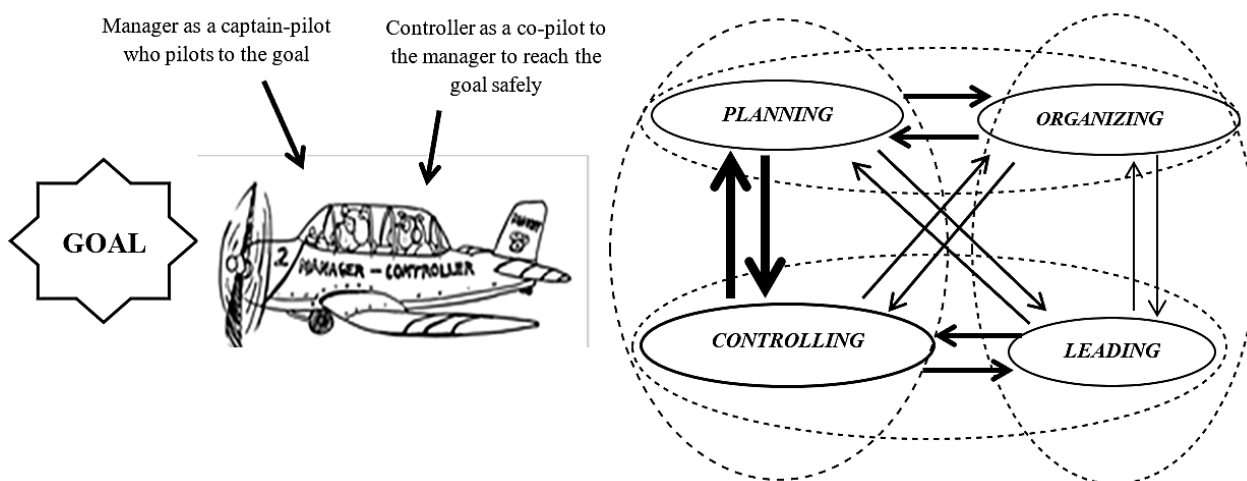


Figure 3. Model of the German School of management (Source: Luković et al., 2014)

In line with the above, the research question arises as to the extent to which the development of management within the German School of management and controlling has influenced the development of management in transitional countries and economies that are members of the European Union. Furthermore, it is necessary to assess the level of development of Croatian management, given Croatia’s status as a country and economy in transition.

1.6. Management in Transitional Countries: The Case of Croatia

The conditions for the development of Croatian management were established through legislation common to all civil-law states, namely the law defining fundamental relations among economic entities – the “Companies Act”. This Act was adopted by the Croatian Parliament in 1993, establishing the market orientation of the Croatian economy and the primacy of capital.²² The Act was crucial for the development of Croatian management, as it represented a national legislative mandate for Croatian economists to start developing concepts of corporate governance and management. The Act created the legal framework for the establishment of business entities, including public limited company (plc) and limited liability companies (Ltd), as well as other organisational forms, all of which required the immediate formation of company governance structures and management. This represented a sudden shift for the Croatian economy, giving rise to numerous challenges in both practice and theory.

The management concepts that began to develop in theory were grounded in the early works of the Faculties of Economics in Split and Zagreb. In practice, management – both as a process of business leadership and as teamwork among managers at various organisational levels – became a task for economists and the first generation of managers, one with which they struggled considerably. The extent to which this task proved challenging for Croatian economists has become

²⁰ Luković, T. & Lebefromm U. (2009.) “Controlling, koncepcija i slučajevi” - Prva knjiga, University of Dubrovnik, Dubrovnik.

²¹ International Controller Association (ICV), www.icc-controlling.org/fileadmin/pdf/grundsatzposition_e.pdf (9th January 2026)

²² “Companies Act” (OG 111/1993.).

fully apparent only in retrospect. It can therefore be concluded that the process of shaping Croatian management has unfolded generationally, and that three generations can now be identified, whose development and research outcomes are still ongoing.²³ In brief, three generations have emerged in the development of management theory, which can be described as follows:

The first generation begins with the initial work of Buble, published in the form of an article as early as 1993, in which five management functions are identified: planning, organizing, human resources, leading, and controlling.²⁴ Following Buble, an article by Sikavica²⁵ was published, which does not explicitly list management functions; however, they can be inferred from the explanation of managerial tasks. The article states: “Although the main tasks of managers, such as planning, organizing, staff development, leading, and control, are familiar to every manager, the challenge of integrating general managerial expertise into a unified theory remains unresolved. The reason lies in the fact that managerial work, unlike other types of work, is somewhat indeterminate, vague, and ambiguous, and therefore cannot be fully and precisely described and defined. This represents a challenge for every manager, allowing room for freedom of action and creativity.” The first generation of management theory relied primarily on the works of Buble and Sikavica, in which five management functions were established but inadequately translated into the Croatian language.

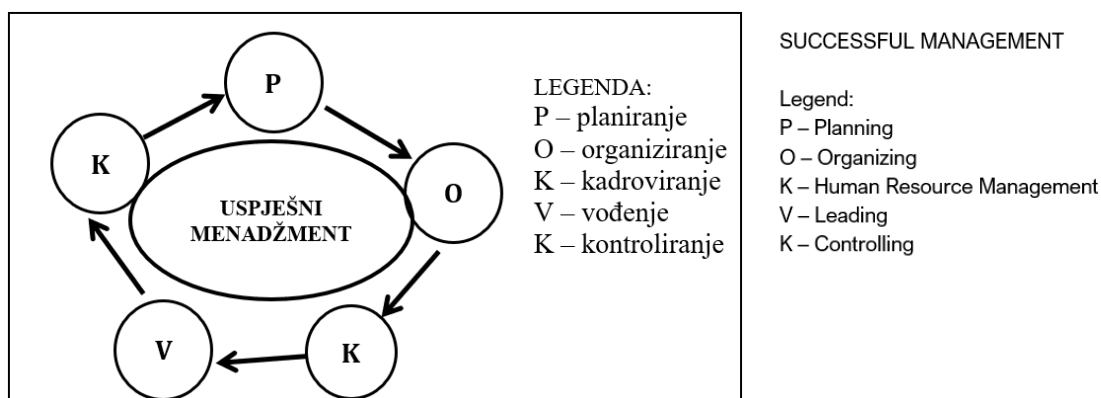


Figure 3. Five Management Functions According to Buble (2000)

The post-war period in Croatia was marked by numerous linguistic challenges arising from the introduction of new terms, such as management, which was written in various forms. This issue was resolved only around 2010, when the European concept of writing non-translatable foreign terms was adopted, and management was finally standardised as *menadžment*. However, this standardisation did not occur for many other terms, such as controlling, which some authors still write as *kontroling* or even *kontroliranje*, both of which are incorrect.

After the Homeland War, the second generation of Croatian management theorists gradually began to emerge, alongside a generation of Croatian controllers who advocated changes in the management system, albeit with limited results.²⁶ Unfortunately, the second generation did not introduce substantial theoretical advances in management, as a copy-and-paste approach prevailed, with authors largely adopting insights from the first generation. Thus, the second generation of management theory brought little that was new; however, it did mark the emergence of a generation of controlling authors who pointed to the need for new insights in management.

The third generation of management theorists remains active today and began by addressing the fundamental question: “What is controlling?” This led to additional research that resolved the issue, at least within a narrower circle of researchers. The *Encyclopaedia of Management*, acquired as a second-hand book from the United States and brought to Dubrovnik, initiated the first studies warning that controlling is a management function and that it has no connection with control. Nevertheless, many management authors continue to rely on the insights of the first generation, and textbooks still

²³Peronja, I. & Šerić, N. & Luković, T. (2025.) *Strateški rizici i ReThinking menadžment, aspekt tranzicijskih ekonomija*, Journal of Economics and Business, Sarajevo

²⁴ Buble, M. (1993.), *Management*, Econviews, Osijek, 1 (6), 167 – 168

²⁵ Sikavica, P. (1996.), *Stilovi menadžmenta – sličnosti i razlike između američkih i hrvatskih menadžera*“, Tourism and Hospitality Management, Vol. 2, No. 1

²⁶ Datković, A. (Supervisor: Full Prof. Zdravko Zekić, PhD), (2009.) *Kontroling kao osnovica djelotvornog menadžmenta: Jadran hoteli d. d. Rijeka*, Diploma thesis, Faculty of Economics and Business, University of Rijeka.

frequently refer to control.²⁷ Closely related to this issue is the failure to distinguish between control and supervision,²⁸ which are not the same but are often treated as synonymous – a problem clearly highlighted in conference papers.²⁹ Consequently, the challenges associated with the emergence of management in Croatia are complex and more extensive than commonly assumed, and addressing them remains the responsibility of the third generation of Croatian management theorists. That the development of Croatian management is still in an early formative stage is best illustrated by the most recent university textbooks, as well as international Balkan inter-university textbooks.³⁰

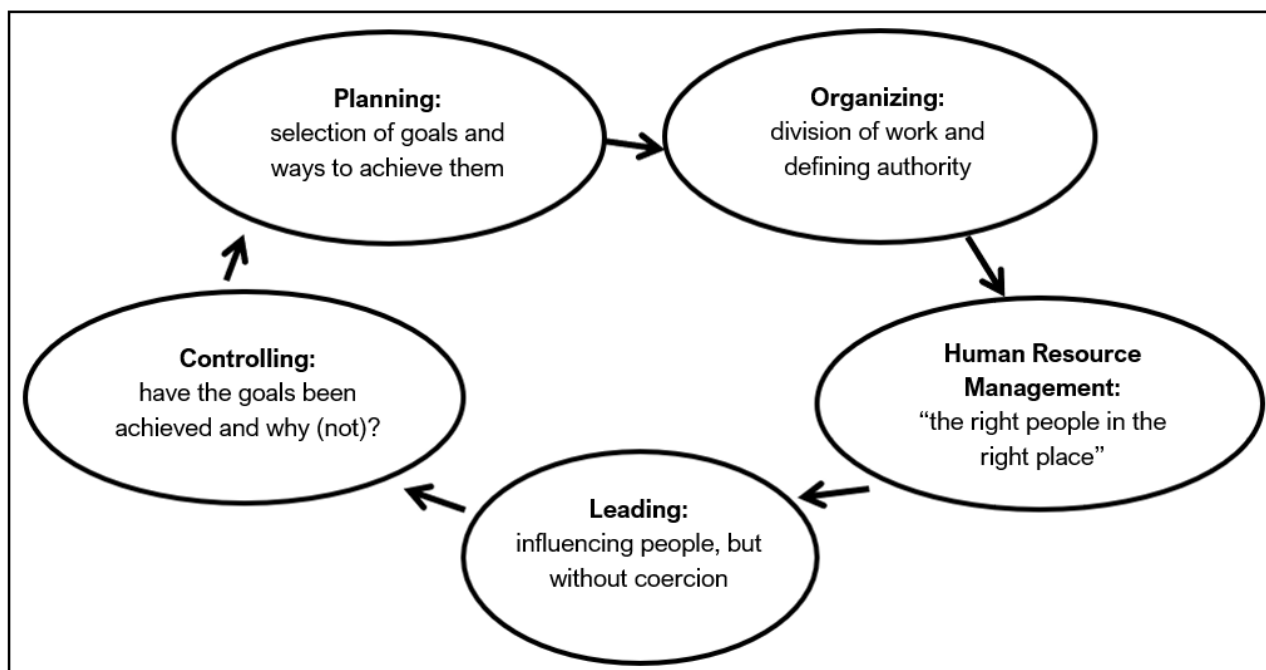


Figure 4. Management Functions of the Third Generation (Source: Klepić et al., 2020)

Nevertheless, academic works and textbooks authored by controlling scholars in Croatia have become increasingly frequent. Although these contributions are often linked to specific thematic areas – such as sports management, tourism management, and others – they clearly point to changes in management functions and emphasise the need for cooperation with German and other developed research centres, as required by Croatian management both in theory and, in particular, in practice.³¹ It can therefore be concluded that management in Croatia is developing through successive generations of new insights originating from the developed environment of the European Union. However, this process is slow, mirroring the gradual transition of the Croatian state itself.

2. RESEARCH OBJECTIVE, HYPOTHESIS, AND LIMITATIONS

The aim of this research is to evaluate the current level of development in order to obtain a realistic insight into the existing situation for the purpose of future advancement. In doing so, it is necessary to distinguish between the development of management theory and the level of management development within the Croatian economy. The characteristics of management development in Germany are taken as a benchmark in order to draw conclusions regarding the level of management development in Croatia. In line with this objective, the research hypothesis proposes that the level of management development in Croatia is significantly lower than that of Germany and remains in a deep transitional phase.

²⁷ Rupčić, N. (2018.), „*Suvremeni menadžment, teorija i praksa*“, Faculty of Economics and Business, University of Rijeka.

²⁸ According to Kontekst.io, a synonym research platform, when searching for a synonym for the term control, supervision is not indicated. Conversely, when searching for a synonym for supervision, the closest corresponding term is monitoring, with a similarity score of 75%, whereas control achieves a similarity of only 65%. This indicates that control and supervision cannot be considered acceptable synonyms. www.kontekst.io/hrvatski/nadzor (9th January 2026)

²⁹ Luković, T. (2014.) *Planning and Controlling, separate or symbiotic management functions*, 2nd conference, OFEL 2014, Dubrovnik.

³⁰ Klepić, Z. & Alfirević, N. & Rahimić, Z. (2020.), *Menadžment*, University of Mostar, Faculty of Economics, Business, and Tourism, University of Split; School of Economics and Business, University of Sarajevo

³¹ Peronja, I. & Luković, T. & Lebefromm, U. (2025.), *Operational and Strategic Management of Nautical Tourism*, udžbenik Sveučilišta u Splitu, Lap Academic

The limitations of this research relate to the restricted scope of conclusions arising from the small sample of enterprises included in the study. An additional limitation, and consequently one affecting the conclusions, concerns the exclusive focus on medium-sized enterprises according to entrepreneurship criteria. Furthermore, the research did not include specific economic sectors but instead focused on enterprise size, which raises questions regarding the validity of the results across different industries. Nevertheless, given that medium-sized enterprises constitute a significant segment of Croatian entrepreneurship, the decision to exclude both small and large enterprises in favour of medium-sized ones is considered justified with respect to the research objective and the conditionally formulated hypothesis.

3. METHODOLOGY AND SAMPLE

The research conducted in this paper is based on a small sample of 10 medium-sized enterprises, defined as enterprises employing up to 250 employees and meeting the relevant financial criteria.

Company category	Number of employees	Annual turnover	OR	Assets/Long-term assets
Medium-sized	< 250	≤ EUR 50 millions	OR	≤ EUR 43 millions
Small	< 50	≤ EUR 10 millions	OR	≤ EUR 10 millions
Micro	< 10	≤ EUR 2 millions	OR	≤ EUR 2 millions

Table 1. Criteria for Defining Small and Medium-Sized Enterprises (SMEs) (Source: Croatian Chamber of Economy, 2014)

A sample of ten medium-sized enterprises was randomly selected, regardless of industry, and the research was conducted in 2025. Methodologically, the study focused on two groups of questions: the understanding of management and the application of management in business operations and decision-making.

In addition to the survey conducted on the enterprise sample with the aim of assessing the implementation of management practices, the research also included an evaluation of the theoretical level of management development in Croatia. In this way, a link between management theory and practice was established, which is considered essential for the effectiveness of management at both the national and global levels.

4. RESEARCH AND RESULTS

The first part of the research involves a survey of middle and top management, with five respondents from each enterprise, in order to synthesise an overall conclusion. Two groups of questions were formulated. The first group focused on general knowledge of basic management concepts. The second group addressed operational management, with the aim of identifying the extent to which management functions and tasks are implemented within the enterprise. The survey results are presented in Table 2.

Questions	Rating (1–5)	Explanation
Questions related to general management		
Are you familiar with the concept of management?	1–2	They understand that it involves cooperation, but they mainly perceive it as leadership.
Do you think that the term management can be translated as governance or leadership?	YES	Management and leadership are generally considered to be the same, whereas governance is not associated with the supervision of capital owners.
Are you familiar with the process of planning?	0	They are not familiar with the planning process and view it as they did in the past –something that is set once and then left until the end of the year. Even that is done only rarely.
Do you know what controlling is?	0	Controlling is perceived as inspection/control and as the work of the quality control department or internal audit.
Questions related to operational management in a specific company		
Has the capital owner set a long-term goal for the company?	1–2	The business goal is a positive result at the end of the year. It is occasionally viewed as positive cash flow.
Do you see a need for controlling in the company?	0	They do not know what controlling is, so there is no need for it.
Do you prepare annual plans?	0–1	Planning is not carried out; if it is done at all, it consists of setting it at the beginning of the year and waiting for the results at the end of the year.
Do you monitor the implementation according to the plan at least on a weekly basis?	0	It is not considered necessary. Some monitor it on a quarterly basis.
Are the plans broken down by departments and employees?	0–1	Generally, they are not.
Do you have strategic planning?	0	There is no strategic, long-term planning, and no clear goal has been defined.
Do you have a structured system for monitoring market trends in your business environment?	0–1	Management usually informs itself independently, using mainly national sources.
Do you use external consulting services?	2	When a major problem arises, external consultants are sought for support.

Table 2. Assessment of Key Topics in Operational Management Using a Likert Scale (1–5)

Explanation:

- The results of the first group of questions, “Questions related to general management,” indicate an extremely low level of knowledge of basic management concepts. The concept of management is narrowly associated with leadership, while management functions remain largely unknown. Governance is not linked to the Management Board, but rather to management or leadership, which is also a common occurrence in scientific and professional literature in Croatia. Planning is perceived as a practice from the past, while controlling is understood as control. Consequently, controlling is interpreted in terms of internal control or internal audit.
- The results of the second group of questions, “Questions related to operational management in a specific company,” reveal a very low level of implementation of theoretical management knowledge. There is no initial entrepreneurial objective; instead, business activity is reduced to achieving a positive annual result, with an imperative of profit maximisation. The need for controlling is not recognised. Planning is absent, or – when present – resembles outdated practices in which plans are set at the beginning of the year and reviewed only at year-end. Strategic planning does not exist, meaning that there is no strategic objective beyond achieving a positive annual result. Market information is limited to national-level sources, and external consultants are engaged only when management encounters problems it cannot resolve internally.

Overall, it can be concluded that management remains relatively unfamiliar within Croatian medium-sized enterprises, where hierarchical structures and personal decisions of top management form the basis of business outcomes. Consequently, decision-making is largely based on the subjective judgment of top management, without the support of high-quality analyses that would enable low-risk business decisions.

The second part of the research focuses on the development of management theory, with the aim of identifying the theoretical knowledge base that should be implemented in practice. The conducted research yielded the following results.

Questions	Score (DE / HR)	Explanation
Is the concept of management clearly defined?	5 / 4-5	The concept of management is generally correctly represented in Croatian management theory.
Are the P-O-L-C management functions accepted?	5 / 1-2	Many management authors still include five functions and use an incorrect Croatian translation. Controlling-related papers partially correct these errors.
Is the explanation of the goal comprehensive?	5 / 0	The goal is largely unknown and theoretically underdeveloped. Similar concepts are confused, although they are not the same.
Is the planning process in a market economy known?	5 / 0	The process of continuous planning is not recognized, except in rare controlling-related papers.
Is the link between the goal and the plan explained?	5 / 1	The link between the goal and the plan is insufficiently explained.
Is the concept of controlling widely accepted?	5 / 1	In management, controlling is translated as control. Controlling-related papers partially correct these errors.
Is predictive analysis known?	5 / 0	Predictive analysis as a concept is completely unknown. It appears only in research by foreign authors in Croatia.
Is the application of e-technology in management developed?	5 / 0-1	The application of e-technology is occasionally mentioned in papers with foreign co-authors.
Is lifelong learning in management organized?	5 / 0-1	Croatia still does not recognize the need for lifelong learning in management.
Do researchers collaborate with researchers from developed countries?	5 / 1-2	Collaboration among management theorists is mainly with Bosnia and Herzegovina, while collaboration among controlling theorists is being developed in that direction with Germany and other countries.
Is a system for knowledge transfer to the wider community being developed?	5 / 0	The wider community remains excluded from everything.
Is scientific professional development ensured through longer-term stays and work in developed countries (outside the Erasmus programme)?	5 / 0	Apart from ERASMUS, there are no long-term specializations abroad funded by the state.
TOTAL:	60 / 10.5	

Table 3. Assessment of Key Segments of Management in Croatian Management Theory Compared with German Management, Using a Likert Scale (1-5)

Explanation:

- The results of the research Assessment of Key Segments of Management in Croatian Management Theory Compared with German Management, using a Likert Scale (1-5) indicate an extremely low level of development of Croatian management. Croatia's total score of 10.5 points, compared to Germany's 60 points, represents only 17.5% of the weighted positive outcome, indicating a significant disparity in understanding controlling, planning, goal setting, lifelong learning, and the transfer of theoretical knowledge to the wider society. Although these results reflect a subjective assessment by the researchers, they are supported by empirical studies that document the inferiority of Croatian management practices in comparison with German ones. This is particularly evident in the area of controlling, where the German school dominates through its integration with planning and decision-making, while in Croatia such integration is rarely applied even at the theoretical level.³² Empirical research demonstrates that German management, grounded in a controlling-oriented approach, ensures economic stability and resilience,

³² Piplica, D. & Peronja, I. & Luković, T. (2024). *Controlling in the function of management by Objectives*; <https://hrcak.srce.hr/file/452669.hrcak.srce> (9th January 2026)

as evidenced in the practice of European entities supported by SAP. At the same time, Croatian managers have not yet fully adopted these models, underscoring the need to introduce German standards at the micro-system level.³³ Comparative studies further confirm that Croatian managers continue to demonstrate a slower pace of adoption of these models, in contrast to German managers, who emphasise value-based and participative leadership, resulting in lower efficiency in transitional economies.³⁴ These differences are also evident in empirical analyses of controlling and sustainability, where Croatia, compared with Austria, demonstrates some progress among transitional countries but remains significantly behind Western European standards.³⁵

5. DISCUSSION

The results of the conducted research reveal deep deficiencies in both the application and theoretical understanding of management within Croatian medium-sized enterprises. These shortcomings are reflected in extremely low scores on the Likert scale (1–5) across both examined dimensions: operational management and the theoretical knowledge base. In the operational domain, average scores range from 0 to 2, with a complete absence of understanding of controlling and planning. Managers perceive planning as a ritualised annual activity without monitoring implementation, while strategic planning is entirely absent.³⁶ These findings point to a hierarchical and intuitive decision-making approach, in which subjective judgments of top management replace systematic tools, resulting in high-risk exposure and low competitiveness compared to developed EU economies.³⁷

The theoretical base of Croatian management exhibits an even greater developmental gap, with a total score of 10.5 points compared to 60 points for Germany, representing only 17.5% of relative development. This finding confirms the research hypothesis that Croatian management theory remains substantially less developed in key areas, including the P–O–L–C functions, predictive analysis, and lifelong learning.³⁸ While German management theory – grounded in a controlling-oriented model – integrates planning with predictive tools and e-technologies, Croatian literature continues to suffer from incorrect translations (e.g., interpreting controlling as “control”) and fragmented academic cooperation, largely limited to neighbouring transitional countries such as Bosnia and Herzegovina.³⁹ This disparity is not merely a subjective assessment by the researchers; it is corroborated by empirical studies documenting similar deficits across transitional economies, where insufficient transfer of knowledge into practice leads to chronic inefficiency.⁴⁰

Comparison with German management further highlights structural differences. The German model, supported by intensive cooperation between universities and companies such as SAP, ensures continuous knowledge transfer to the wider community through long-term specialisation programmes and regional networks. In contrast, the Croatian system remains largely isolated, lacking state-supported initiatives beyond the Erasmus programme.⁴¹ The consequences of this development gap are evident in operational outcomes: Croatian enterprises lack clearly defined departmental objectives, do not systematically monitor market signals, and they rely on external consultants only during crises, which constrains growth and resilience. Empirical research confirms that such practices in transitional economies result in lower productivity, in

³³ Piplica, D. & Peronja, I. & Luković, T. (2024). *Controlling in the function of management by Objectives*; <https://hrcak.srce.hr/file/452669.hrcak.srce> (9th January 2026)

³⁴ Kostić-Bobanovića, Moira & Bobanović, Mieta, (2013). Research on Leadership: A Comparative Study in Croatia and Sweden, The 6th International Conference “The Changing Economic Landscape: Issues, Implication and Policy Options”; <https://hrcak.srce.hr/file/196577.hrcak.srce> (9th January 2026)

³⁵ Rausch, Alexandra & Osmanagić Bedenik, Nidžara & Fafaliou, Irene & Labaš, Davor & Porada-Rochon, Malgorzata (2013). *Controlling and Sustainability: Empirical Evidence from Europe*; Zagreb International Review of Economics & Business, Vol. 16, No. 1, pp. 37-63, Economics Faculty Zagreb; <https://hrcak.srce.hr/file/150408.hrcak.srce> (9th January 2026)

³⁶ Piplica, D. & Peronja, I. & Luković, T. (2024). *Controlling in the function of management by Objectives*; <https://hrcak.srce.hr/file/452669.hrcak.srce> (9th January 2026)

³⁷ Kostić-Bobanovića, Moira & Bobanović, Mieta, (2013). Research on Leadership: A Comparative Study in Croatia and Sweden, The 6th International Conference “The Changing Economic Landscape: Issues, Implication and Policy Options”; <https://hrcak.srce.hr/file/196577.hrcak.srce> (9th January 2026)

³⁸ Rausch, Alexandra & Osmanagić Bedenik, Nidžara & Fafaliou, Irene & Labaš, Davor & Porada-Rochon, Malgorzata (2013). *Controlling and Sustainability: Empirical Evidence from Europe*; Zagreb International Review of Economics & Business, Vol. 16, No. 1, pp. 37-63, Economics Faculty Zagreb; <https://hrcak.srce.hr/file/150408.hrcak.srce> (9th January 2026)

³⁹ Piplica, D. & Peronja, I. & Luković, T. (2024). *Controlling in the function of management by Objectives*; <https://hrcak.srce.hr/file/452669.hrcak.srce> (9th January 2026)

⁴⁰ Bloom, Nicholas & Schweiger, Helena & Van Reene, John (2011.) *The Land than lean manufacturing Forgot? Management Practices in Transition Countries*, National Bureau of Economic Research, Cambridge, MA 02138; www.nber.org/system/files/working_papers/w17231/w17231.pdf (9th January 2026)

⁴¹ Hoelscher, Michael & Lauer, Jan, (2024.), *German higher education managers in the multiple hybrid university and their positioning with respect to third space*, London Review of Education, UCL Press; <https://journals.uclpress.co.uk/lre/article/pubid/LRE-22-41/> (9th January 2026)

contrast to the participative leadership characteristic of German management, which favours value-based decision-making and team integration.⁴²

These findings have broader implications for the Croatian economy in transition, where the legacy of centralised planning and a short-term profit focus hinder the adoption of modern management paradigms.⁴³ Comparative studies indicate that countries such as Croatia achieve progress in controlling primarily through isolated studies involving international co-authors, yet still fall far short of Western European standards in sustainability and digitalisation.⁴⁴ Accordingly, systematic reforms are recommended, including the introduction of mandatory lifelong learning programmes, enhanced cooperation with German institutions beyond the Erasmus framework, and the integration of controlling across all management levels, in order to reduce the development gap and improve overall competitiveness.⁴⁵

6. CONCLUSION

The conducted research confirms the proposed hypothesis that the level of management development in Croatia is significantly lower than that of Germany and remains in a deep transitional phase, as evidenced by the empirical results of surveys conducted among middle and top management as well as by the analysis of the Croatian theoretical base. The introductory research question concerning differences in management development between developed EU Member States and transitional economies such as Croatia is substantiated by the low scores obtained on the Likert scale. As indicated by the research results, operational management in Croatian medium-sized enterprises exhibits a complete absence of systematic planning, controlling, and strategic goals, while the theoretical base achieves only 10.5 points compared to Germany's 60 points, representing 17.5% of relative development.

The section on management in developed EU Member States highlights the continuous development of capital-oriented economies in Western Europe, particularly Germany, where intensive cooperation between universities and companies such as SAP ensures precise planning, controlling, and the transfer of knowledge to the wider community. This represents a model that Croatia has not adopted, largely due to the legacy of centralised planning and hierarchical organisational structures. In the Croatian context, the distinction between management and governance remains insufficiently clear, with management reduced to intuitive leadership focused on short-term profit. At the same time, operational management is conducted without the application of P–O–L–C functions, predictive analysis, or lifelong learning, resulting in high levels of risk and low competitiveness.

Despite the limitations of the research – namely, the small sample of medium-sized enterprises and the absence of sectoral differentiation – the study nevertheless provides a realistic insight into the state of Croatian entrepreneurship, which constitutes a significant segment of the national economy, thereby confirming the need for reform. In conclusion, only the systematic adoption of German standards through mandatory continuous learning programmes, enhanced international cooperation beyond the Erasmus framework, and the integration of controlling at all levels of business operations can bridge the existing gap, support the transition toward market-oriented management, and enable sustainable economic growth in line with EU requirements.

CONFLICT OF INTEREST

Authors declared no potential conflicts of interest with respect to the research, authorship, and/or publication of this article.

⁴² Kostić-Bobanovića, Moira & Bobanović, Mieta, (2013). Research on Leadership: A Comparative Study in Croatia and Sweden, The 6th International Conference „The Changing Economic Landscape: Issues, Implication and Policy Options“; <https://hrcak.srce.hr/file/196577.hrcak.srce> (9th January 2026)

⁴³ Pradeep, Mitra K. & Selowsky, Marcelo (2002) Lessons from a Decade of Transition in Eastern Europe and the former Soviet Union, Finance Development, International Monetary Fund, Volume 39.; www.imf.org/external/pubs/ft/fandd/2002/06/mitra.htm (9th January 2026)

⁴⁴ Rausch, Alexandra & Osmanagić Bedenik, Nidžara & Fafaliou, Irene & Labaš, Davor & Porada-Rochon, Malgorzata (2013). Controlling and Sustainability: Empirical Evidence from Europe; Zagreb International Review of Economics & Business, Vol. 16, No. 1, pp. 37-63, Economics Faculty Zagreb; <https://hrcak.srce.hr/file/150408.hrcak.srce> (9th January 2026)

⁴⁵ Piplica, D. & Peronja, I. & Luković, T. (2024). *Controlling in the function of management by Objectives*; <https://hrcak.srce.hr/file/452669.hrcak.srce> (9th January 2026)

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