



"Train-the-Trainer" Curricula Models
Program II: BUSINESS POLICY IN
THE FUNCTION OF
IMPROVEMENT OF
ENTREPRENEURSHIP



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1. BUSINESS POLICY OF THE ENTERPRISE

1.1. Principles of business policy

The business policy of the company is a set of various measures that companies bring and realize in order to realize their program activities. Measures undertaken in enterprises for the realization of the envisaged objectives are of great importance for both enterprises and the community.

The achievement of program objectives at a higher level allows the creation of more products and services, and thus the needs of personal, community and general, which are constantly growing. In its content, business policy includes: product orientation, quantity and assortment of production, purchasing and sales orientation, securing and spending of financial assets, determining price policy, investments, technological process, development, management system, distribution, personnel policy of the organization and others.

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In terms of its scope, business policy can be internal and external. Internal business policy includes the fields of production organization, financing, personnel, etc. External business policy is reflected in the procurement policy, the policy of product and service realization, prices, etc.

Within the framework of the global basic policy it is possible to make certain further division by function. The basic functions are: the function of procurement, production, sales, finance, personnel, investments, etc. All these partial business policies need to be harmonized in quantitative, qualitative, spatial and temporal terms.

Business policy is also a rational policy - procurement, sales, financing, job registration, etc. In the formation of business policy, it begins from objective to subjective conditions. Under objective conditions, we take into account the conditions of business, and under the subjective working collective with its management and management bodies.

Various factors are influenced by business policy, which is largely due to technical and other specifics. The natural conditions are especially reflected in the operations of agricultural, forestry, mining and tourism organizations. They are practically related to soil quality, climatic conditions, quality and conditions of exploitation, etc. The market is a basic external factor that significantly influences business success. To that end, monitoring and analysis of price movements on the internal and external plan is of great importance.

The development of science and technology is increasingly conditioning the emergence of new products - new production processes, which reflects the reduction in production costs.

Furthermore, the social organization of production is increasingly reflected in the greater social division of labor, specialization, technological connectivity, increased socialization of production. This greatly emphasizes the issue of linkage on a wider scale.

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Institutional conditions include the entirety of legal regulations governing social relations and the conditions of business.

The goal of the company's business policy is to optimally align the interest of the individual, the company, and the interests of the community as a whole. The business policy goal is to contribute to the achievement of business goals. She should point out the possible ways of achieving the goals. That is why companies first define goals and then policies. Business policy gives directions and frameworks in which individual plans need to be drawn up and directed. It should be clearly defined, so that all members of the collective can understand it. Practically, this means that it should be defined in a way that will stimulate a collective and individual initiative to improve the efficiency of business operations.

The business policy should satisfy the following conditions: it is clear and public, to ensure the long-term and orientation and stability of the organization and that it is sufficiently elastic and fair to the collective and society. It cannot go into details, but it must be general and principled.

A properly set business policy should enable: To achieve goals with the lower cost of human and power energy, time, space, raw materials and financial resources, according to established quality and standards: with the greatest economic effect of work to provide professional and operational operations.

The company should use the existing funds for the work it has at its disposal, to economically use the financial resources and to carry out the realization on the market successfully.

By business policy, the company focuses its decision on: what will lead, how much, at what price, how it will produce, how it will carry out, what business result should be achieved, the way and the distribution criteria.

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1.1.1. *Creating of business policy*

Creating business policy is conditioned by objective and subjective conditions in which it performs its business.

Subjective (internal) factors are found in the enterprise itself and it can affect them. They are expressed through the economic and technical structure, i.e. through the production and financial resources that the company has at its disposal. The economic strength of the company, the stability in the business and the possibility of its development depend on the amount of funds at its disposal. Through its business policy, each company wants to preserve and expand its business assets and to use them better.

Objective factors are natural conditions, the market, the social organization of production, the development of technology and science, institutional conditions and public opinion.

Natural conditions, as the most general, are more important for the operation of all enterprises. The largest group consists of natural resources: soil configuration and composition, plant and animal life, climate, minerals and energy sources. Some of these resources are regenerative (plants, animals and hydro energy), while others are not (ores and minerals).

The most important external factor is the market, given its function to recognize the socially necessary work of the manufacturer. The effect on the business of the company is done through the reduction of individual working hours to the socially necessary working hours. If the producer is not able to produce under conditions of socially needed working hours he will not be able to cover his costs by the price reached, unless the demand is higher than the supply, which leads to price jump.

The order of the activity on the implementation of the business policy of the company is:

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- giving initiative,
- defining the problem,
- problem analysis,
- consideration of alternative solutions,
- decision making,
- implementation of decisions in life,
- control of implementation of decisions.

It is necessary to have certain information for making decisions. The data refers to the goal and the action. They need to meet certain requirements: timeliness, completeness, accuracy, intelligibility, and representativeness.

The initiative for making business decisions can be given by members of the collective, professional service or representatives of the social community.

Defining and analyzing the problems are the basic stages in the process of establishing business policy. Proposing business policy measures in alternative variants, most often contributes to the selection of optimal solutions. Proposed measures should be accurate, flexible, clear, public, real and long-term oriented.

Short-term business policy decides on closer targets for the realization of program orientations. These are the most common measures for increasing production, services, sales, stock reductions, operating costs, etc.

Long-term business policy creates goals in the long run (investment, development, personnel, etc.).

The basic principles of business policy formation are:

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- maximizing results through productivity, cost-effectiveness and profitability,
- determining the further development and existence of the company with the achievement of greater business results in relation to the existing situation,
- stability in achieving the foreseen objectives,
- cooperation with other organizations within the group, branches, and wider in the economy.

Creating a business policy requires an analysis of the previous state of the company and its place within a group and branch. Creating a business policy should be based on the basis on which the interests of all organizational parts will be respected. Limiting factors such as financial assets, raw materials, personnel, etc., should be considered in determining business policy. In particular, the formation of a business policy is a long and permanent job that requires continuity in the work and full engagement of all business entities.

Analyzing and controlling the achievement of business policy goals is a special activity that enables the verification of the facts in the process of reproduction. The tasks of analysis and control are to see the realization of economic principles of business.

The objects of business analysis are: business functions, assets and business results.

The methods used to analyze and control the economy are:

- methods of business policy objectives from the standpoint of the interests of society, collectives and individuals,
- examining business policy measures from the point of view of economic principles of reproduction,
- quantitative analysis of the reproduction results,

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- analysis of operational control of the execution of set goals,
- information in business policy.

The information system in business policy is of great importance. Information should be objective, accurate and understandable. Based on information, it determines what will and how much and how will be produced. Information should provide answers to questions about what to do, how, what and who will do.

According to the content that treats information can be:

- economic trends, forecasts and development plans,
- additional knowledge in the field of economic, social and technical development,
- information that affects the formation of social consciousness,
- information on the views of members of the working collective, etc.

Systematic information is of particular importance in business policy, which should give additional knowledge to the members of the collective.

According to its content, the information can be economic, technological and institutional.

Economic information includes data on demand for products of certain companies, demand for products that can replace these products, market prices, production, etc.

The technological information relates to research development activities and their results in areas that are important for the enterprise.

Institutional information is necessary for operational and planning forecasting and decision making (knowledge of system laws).

Information continues to appear as macro-economic, micro-economic, retrospective, and prospective. From the standpoint of the company, the most important information is related to

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business and development policy and the distribution of results. According to the structure, the information can be economic, legal and technical. By time they can be daily, weekly, monthly, quarterly and annual. The information continues to appear as internal and external. According to the methods of informing they can be oral and written.

An important requirement for successful information is selection of information by decision levels. Correct execution of information selection relieves workers and frees certain services of excessive work.

Information is a basis for the scope of work of the management in the planning, organization, active participation and control.

The information system must be firmly linked to the basic business goals of the company, with its policy and management strategy.

Information systems play a very important role in the use of physical, financial and personal resources.

Information system technology can be managed. As with any technology, knowledge of its capabilities and borders allows management to better direct and better assess how much the information system can contribute to the goals of the working community.

The need for the introduction of an information system can result from a direct situation created by the application of business conditions, such as, for example, when the competition announces a great shortening of delivery deadlines for its products. In such a case, the management has been put in a position to immediately review its entire business policy. Among the issues that are directly posed, there are:

- whether the equipment is obsolete,
- Do we need to increase our storage of semi-finished products,

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- Is our current information system adequate, if not how it can be designed to help shorten the cycle of making our products?

The most common symptoms of information system needs in a manufacturing company are:

- high ratio of indirect costs compared to direct,
- frequent shortages at all levels of supplies,
- long production cycle in relation to preparation and fabrication,
- frequent changes to plans and terms,
- low degree of standardization,
- unsatisfactory use of machines,
- poor or non-existent standards (norms) of work,
- big overtime,
- low inventory turnover.

Information needed for marketing.

The following information is needed for marketing:

- Information on business results of business activities,
- Changes in profit (can be attributed to prices and based on them, the marketing manager can review his business policy),
- Changes in production based on which marketing can plan all short-term and long-term changes to the sales plan,
- Quality reports that are needed for marketing as a sign of product quality continuity,
- Delivery status information,

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- Contract delivery. Copies which confirm the order and ask for information about the delivery should be added to the orders from the consumer,
- Status of the buyer's order. The sales department should receive a report on the delivery data for all received orders,
- Partial deliveries. The report on all partial deliveries shall be submitted to the sale and it shall display the quantities delivered and the deadlines set for the rest of the order book. Partial deliveries should be avoided because they cause additional administrative work, increased transportation costs and the receipt of goods.

Stock status information:

- Finished goods and goods in the production process. The report on this product should be available to the order acceptance department to enable the customer to notify the availability of the product,
- Inventories and deliveries from the warehouse. Weekly and monthly stock reports and warehouse deliveries should be available to marketers, so that it can provide a report on the maintenance of mini and maxi stocks,
- Disposed inventories. This report uses marketing to sell material at lower prices before it comes to the state to be disposed of.

Drive equipment and capacity utilization:

- Possibility of production. Marketing staff should be informed of their newly installed equipment, improved process or additional production space, which will be used to increase production in the next fiscal year. This must be known before determining the annual sales plan,

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- Use of equipment. The marketing department should be informed of any anticipated free production time on any machine or process equipment. Based on this, marketing can provide a program for short-term job security that would maintain full use of production capacity,
- Economic production series. Sales require information on the minimum economic production series of all equipment and processes, so that it can inform the buyer of the least acceptable orders that can be accepted without a special price increase.

Information about the planned sale:

- The annual sales plan should be broken into parts, preferably monthly. These monthly required quantities are used to create monthly schedule dates. It refers to:
 - Timing of sales plans. Monthly sales volumes must be delivered to production before the beginning of the fiscal year. Sales should break the total quantity on a monthly basis, as it ensures the time for the preparation of the necessary production equipment, the order of raw materials with a long delivery date and the introduction of production staff with sales needs.
- Reliability of plans. Sales forecasts usually stem from the experience and include market research and analysis of information on new products, economic factors, market trends, competition development, and analysis of all other factors affecting the sale,
- Revision of plans. Due to the changing conditions on which sales forecasts are based, the needs of each fiscal quarter must be reviewed by sales, in order to make changes in product requirements where necessary. This precaution will prevent the company from

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accumulating inventories of products that are sold slowly and will enable the switching of production equipment to products that are faster sold.

Product quality information:

- Specifications. The sale should provide obtaining detailed specifications (data) from the contracting authority including the drawing, the need for testing, the manner of use, the dimension, color, quantity, packaging, delivery instructions and other relevant data needed to enable the production to provide the product which the contractor needs,
- Tolerances: The sale requires information on acceptable production quality tolerance limits. This security is necessary in order to avoid adhering to expensive narrow tolerances in production, which requires the end-use of the buyer's product,
- Use of the product. Complete data on how a user's product is used by the user is vital to further improve product quality,
- User comments. Production is accompanied by a complete copy of sales reports of consumer remarks on the product, customer test data, and other basic information relating to the ability of the product to respond to the needs of the customer.

Competition status:

- Marketing should inform the production of the sale of competition,
- Data that improve competitively against their own product, which relates to lifetime, tests, prices, consumer preferences, packaging, delivery and the like enable production to reconsider the firm's permanent product and make the necessary changes to maintain customer loyalty,

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- Data on all new competing products should be submitted to production for comparative testing.

Change of consumer needs:

- Short-term market analyzes. The marketing department should notify production about the needs of consumers to change the product, so that the equipment does not expand, or does not replace, if the consumer's requirements will persist or will change in the near future,
- Long-term market analysis. The marketing department should create projections of long-term needs for enterprise's production resources.

1.2. Principles of planning business activities

Planning is a dynamic process of activities that anticipates tasks, time and manner of their execution in a given period. In this sense, business policy can also be considered as programming objectives and tasks in the work.

An important characteristic of planning is the programming of work and development. This is accomplished in various forms of interconnection and cooperation.

The planning specifies the goals and specific tasks to be achieved.

The basis for planning are well prepared norms of expenditure of labor, objects and assets.

Plans should be the product of the following analyzes:

- production possibilities and capacity,
- possibility of placement,
- analysis of consumptions and costs,

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- the effects of economic instruments,
- analysis of financial assets, personnel, raw material base, etc.

Business policy practically precedes the development of plans - which includes important issues related to the work and perspective of the company.

Planning principles are basically the following:

- plans are made first by individual companies,
- aligning plans, businesses and expanding with group and business plans. Company plans should be based on realistic performance opportunities, market analysis, procurement, sales and financial condition. The plan should specify the tasks for both the enterprise, as a whole, and its organizational units.
- planning elements and indicators should be chosen and set to determine measurable concrete sizes,
- company plans can be short-term and long-term.

Short-term include a period of one year. They practically serve as the operational concretization of actions and tasks to be performed so that the medium-term plan can be executed.

The main task of long-term planning is to define goals that are set before the enterprise. In order to adopt long-term plans, it is especially necessary to study: development tendencies in the market, development of technology, technology and organization, possibilities for changes in the conditions of business, etc.

In the planning policy, in addition to knowing the internal ones, it is necessary to know the effect of external factors.

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External factors may be the following: economic system, technology development, market, raw and energy, transport, basic and other.

Internal factors are basically the production program and the possibilities of changing this program, the staff structure, the organic composition of the funds, the possibilities of financing, etc.

The total business plan should include the following individual plans: the production plan, the plan of realization of goods and services, the material and energy supply plan, the plan of the required number of employees, the investment plan, the business cost plan, the staff development plan, the plan of working capital, the plan of formation and distribution of the total income.

The production and service plan determines the scope, size and dynamics of capacity utilization. It is important here to take into account, on the one hand, optimal utilization of capacities, on the other hand, on the possibilities of securing raw materials and the realization of products. Production policy includes production orientation in a near and far future.

Establishing a production program is deciding on what will be produced, what kinds of products or services. The questions that are asked here are the following:

- which are important criteria for the formation of a production program, what the market seeks or what can be produced,
- whether to accept a permanent or variable production program,
- whether the changes in the production program should be achieved by the abolition of the product, narrowing down the production program, acquiring new products, etc.,
- how, how often it is possible to change the production program.

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Basically, the question is how much can go with the production program from the point of view of the size of the costs and the needs of the customers. A wider product range allows the company to enter into business relations with a larger number of customers, which provides the possibility of increasing the realization. This also makes more flexible price policy. In addition to all advantages, a wider product line can have flaws, i.e. adversely affect the costs of doing business. Changes in the production program are mainly conditioned by the development of technology and technology, market demands, product profitability and so on. Possibilities of changing the production program are different in individual enterprises, which depends on the elasticity of adjustment to the needs of the market.

Elasticity is influenced by a number of factors such as:

- the location that the enterprise permanently binds to a specific raw material or a particular market,
- characteristics of capacities, especially if they are specialized machines intended for the production of certain products,
- organizational form of production (individual, serial, mass production).

Tasks for changing the production program can be grouped into:

- technical researches and
- economic researches.

Under technical research we mean different tasks from developing ideas about a new product, to its introduction into production - means research related to design and construction, the acquisition of new products, for investments in new capacities.



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Economic research should explain the economic justification for the introduction of new products.

With an economic research on new products needs to be established:

- justification of the introduction of a new product into regular production, or in the production program,
- examine the market for a new product (determining the possible selling price and fitting the cost price at that price),
- exploring the possibilities of product realization,
- research of the subject of work and technological processes,
- rationalization of internal transport,
- research in the field of specialization, standardization, personnel policy, engagement of funds, etc.

The policy for the provision of funds for reproduction includes issues related to the provision of funds, delivery terms, payment methods, etc.

This poses the question of what, how, when, where and at what prices to procure funds for reproduction. Calculating the size of the stock is a condition for the management of purchases from the manufacturer or through an intermediary. If possible, it is better to go for direct supplies that contribute to reducing the cost of doing business.

In the procurement policy for the means of reproduction, it is necessary to take into account the ability of the supplier to deliver the required quantities within the agreed time. For this purpose, it may be useful in certain conditions to go to multiple suppliers. Securing the funds



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for reproduction at lower prices contributes to the reduction of operating expenses, and thus to the increase of income.

Within the framework of the procurement policy, the most important business is the procurement research at home and abroad. In the policy of securing funds for reproduction, the issue of purchasing function is also significant. It can be organized centrally, decentralized or combined. This is significantly influenced by micro location. Dislocated companies most often apply decentralized or combined methods of organizing the procurement of funds for reproduction. The size of inventory in the company is influenced by several factors such as warehouse equipment, financial assets, transport, task size, etc. To a certain extent, the size of the stock is influenced by the supply and demand relationships in the market, the possibilities of securing funds, locations, economic policies, etc.

The policy of realization determines the goals of sale, the ways of achieving the set goals and means for realization of the stated goals. In order to generate higher income, the sales policy should take into account the possibilities of increasing the realization, the estimates of winning new products, the conquest of new markets, etc. Price policy is the most important issue. The basics for determining the level of selling prices are the costs of production (cost price). The selling price should provide coverage of costs and a certain distribution income. In the business policy of selling prices it is possible to have the orientation of realization of larger quantities at lower prices, or the policy of realization of smaller products with higher prices. This is certainly conditioned by the specifics of production. The company can conduct an active or passive price policy, which means that its attitudes and decisions affect more or less the price policy.

The company's takeover can be carried out independently or in cooperation with another company. In the business sales policy, the most important issue is the choice of the most

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favorable decision. It's always about the potential risk. Therefore, in this business, the principle of elasticity should be significantly present.

The policy of realization of goods and services is based on:

- sales market research (purchasing power, the supply - consumption demand, selling prices, competitive labor organization, the establishment and management of sales policy, etc.),
- sales planning (preparation of short-term and long-term plans),
- sales, sales markets, economic propaganda, warehousing, loans, total revenues, etc.,
- selling goods and services on domestic and foreign markets (negotiation, conclusion of sales contracts - purchase, dispatch and invoicing of goods, customer complaints, collection of customer receivables, etc.),
- economic propaganda,
- preparation, storage and shipment of finished products,
- sales recording,
- economic analysis, audit and sales control.

In the assessment of preparations for the realization of goods and services, the first group of transactions is marketing. The concept of marketing has its own specificities. They direct the company towards the market. It is considerably broader than the concept of selling products. The classic tasks of the sales function are market processing, pricing and operational sales. From marketing point of view, these are: market research, planning and economic propaganda. Sales planning includes a plan for the sale of products and services by quantity and assortment, a sales function cost plan, advertising plan, propaganda etc.



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Market research has the following activities:

- needs research (demand),
- Offer research (competition),
- Methods research (sales paths).

Economic propaganda is an activity that, by means of visual, acoustic and combined means, informs consumers about certain products and services and influences them to choose and buy the required products. Its significance is large, i.e., the media of economic propaganda, through which in various forms it is transmitted to consumers, propaganda messages can be various such as: advertisements in the press, radio and TV, exhibitions, fairs, etc. Economic propaganda is basically based on certain principles.

They can be:

- informative, that is, explain to the consumers the product they want to sell,
- objective (true) i.e. should take into account the interests of consumers and sellers,
- efficient i.e. capable of attracting consumer attention - systematic, planned, not occasional),
- economic.

Economic propaganda should significantly contribute to increasing the change of goods, creating customer confidence in the quality of goods and strengthening the company's reputation in the public - the society.

1.3. Policy of securing financial resources

Financial policy as part of the company's business policy is a task:

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- the provision of financial resources in the required amount, in the most favorable terms, under the most favorable conditions, in the most appropriate form at the lowest cost,
- the most rational use of all available funds with their full engagement (securing permanent liquidity), managing liquidity policy and accelerating the circulation of funds,
- ensuring continuous control and business analysis using financial indicators.

The first task of the financial function is to obtain funds that are used to procure funds for reproduction, settle liabilities to society, workers, etc. The acquisition of necessary financial resources can be ensured by issuing a part of the income to the funds and lending money from banks and others. Issue of part of income for funds is conditioned by the amount of realized income.

The use of loans and loans significantly burdens the costs of doing business and should therefore be used only on exceptional occasions. Namely, it is necessary to aim for the formation of own working capital. The amount of total assets of own working capital. The amount of total funds of own and borrowed allows companies to enter into new business tasks.

Rational use of funds contributes to their reduction, and thus to increase the profitability of operations. This is achieved by increasing the turnover coefficient.

Further, it is very important, the question of the level and the size of the stock. In this regard, it is necessary to take into account what, how much, when, where and at what prices they provide. This includes finding the most favorable options for obtaining loans from banks and others, as well as the proper allocation of these funds.

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The issue of pricing is most closely related to the determination of product production program and product quality. In this context, one should keep in mind that the company is often unable to, and it is economically beneficial to orient in the program orientation to an overwhelming range of products and services.

A company needs to be defined for a particular type of consumer. A decision can be made only on the basis of thoroughly executed analyzes and markets. Factors in setting prices are: number, relative size, degree of potential market share, etc.

The conditions that need to be met in order to make the right decision on prices are: knowledge of production costs, knowledge of early price movements, market conditions, required quantities and production possibilities by the manufacturer and others.

Sales prices should cover business costs and allow certain income to create conditions for increasing material base and personal consumption.

1.4. Possibilities of harmonizing reproduction process factors

Organizational changes result primarily from changes in the functioning of internal and general factors. Organizational changes may also be caused by some other reasons, primarily dysfunction in the organization that arose due to mismatch between and within the factors of production or because the existing organizational condition is inadequate for the achievement of goals. Certain changes in the organization can also come from other reasons, such as the upcoming growth that is ongoing or expected. Changes can be conditioned by new knowledge and solutions in the field of organizational solutions in other companies, etc.

Errors or dysfunctions in the organization are phenomena that impair the coherent and efficient functioning of production factors in fulfilling tasks.

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Errors are usually the result of ignorance or insufficient organizational knowledge of members of the collective, especially the managerial staff, who do not have the necessary organizational knowledge to perform jobs at these workplaces. The most common mistakes that arise from the incorrect arrangement of workers in workplaces, the irregular and unclear distribution of duties, the powers and responsibilities of lack of coordination, and similar. There are, however, mistakes that arise from excessive organization when trying to fix all relationships and connections. In such a situation, even the smallest disorders caused by unforeseen circumstances can cause serious organizational errors, which are difficult to remove. It is especially difficult to remove those mistakes that have not come to full expression and whose negative effects will appear only in the future.

Disruption of organizational discipline is a significant cause of organizational disorders, which, in fact, have the same effects as organizational errors.

In the organization of production, this is reflected in the failure to comply with the prescribed flow of the technological process, the order of work operations, the operating regime, the instructions for maintaining the plant and the necessary security measures, etc.

The growth of the company is a major cause of change in the organizational structure. Since the production factors and the conditions of the training are constantly changing, it is essential that the organization constantly adjusts to them in order to achieve optimal execution of tasks. The most common forms of such an adjustment are complementing the existing and creating a new organization.

The process of solving these problems can be:

- identification of organizational problems,
- defining the organization's tasks,

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- recording and analysis of the current situation,
- looking for the best variant,
- making of reasonable proposal and making a decision i
- introduction of a new organization.

In order for an organization to begin, it must first of all be established that there is a dysfunction in an existing organization, it must be noted that a particular organizational solution has to be changed or that some new relationships and procedures have to be regulated.

When organizational problems are defined, a task to be performed can be determined. Defining the task is a very important stage in resolving organizational problems, because they include the decision-making process.

The decision is the final act - the definition of tasks. The decision, in fact, determines the way and conditions in which the problem must be solved. The decision usually contains:

- definition of the problem, which should be precise,
- the task which can be fulfilled,
- the way for solving the defined problem,
- the necessary resources for making the proposal,
- deadline to make a proposal.

Recording and analyzing the state of the organization is an important part of the overall process of solving organizational problems.

Recording of an existing situation is done by gathering facts and information that have the value for obtaining a more realistic picture, the facts about the existing organization must be

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based on real data that can be used in their original form or can be done in a suitable manner. They are collected by different methods (interview, questionnaires).

It is necessary to collect data on:

- positioning and layout of machines, their use and recording of possible bottlenecks, job scheduling, working conditions, etc.,
- number of employees, qualification structure, deviations from job evaluation, working hours, employee behavior, etc.,
- the traffic route between individual workplaces or organizational units and the course of work, the course of the working process, interruptions that occur, and so on.
- tasks, responsibilities and authority of individual bodies, or between individual organizational units, groups and individuals, etc.,
- contents of the documentation, etc.

Data are, as a rule, collected by direct observation and study of the current situation and relevant documentation regulating the organization. The data and information collected is thoroughly analyzed and critically examined to create a more realistic picture of the current state, both its good and bad sides. It is important to analyze the existing situation thus not only to determine the occurrence of organizational problems, but also the causes that caused them.

When the recording and analysis of the current situation is completed, the next phase begins - researching the possibilities for solving organizational problems, or improving the organization.



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The role of a professional organizer comes at this stage to full expression. They must first of all determine which variants exist, and then do the so called evaluation of those different variants in order to be able to choose the most favorable.

Evaluation of the variant is done so that all alternatives are processed in parallel and thoroughly using the appropriate methodology and then compare each other and on the basis of that the choice is made. This procedure is very efficient and acceptable when it comes to a small number of variants. It is difficult to apply when there are a number of possible solutions to a particular problem. In such a case, a simpler procedure is used: some basic elements are found, which are tested in all variants, and on the basis of them, the most favorable variant is selected.

The proposal for resolving organizational problems must be complex. It must contain all relevant information and facts about the current state of the organization with an indication of the good and bad sides and their consequences.

The variants in the proposal should be determined and shown that it can be determined how the variant ensures the execution of the assigned task and under what conditions, the necessary resources, time, cadres and other.

After accepting the organization, the preparations for its implementation are followed. They are the following:

- preparation of a material character, consisting in possibly procuring the necessary new equipment, expanding the space, adjusting the working conditions, etc.,
- preparing staff for the realization of a new organization, where we include overload, sorting, appropriate training, if there is a need for it,
- preparation of appropriate organizational documents,

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- efficient monitoring, control of the organization's implementation.

1.5. Planning of company activities

Planning is consciously directed to the development of the business of the company for the next period of time.

The company's planning tasks are:

- forecasting of income (quantity, assortment, quality, prices) and elements (labor assets, objects of work and work - personnel) to be engaged or used for the income of planned quantity of goods,
- predicting the conditions under which a company approaches the accomplishment of planned tasks, like:
 - conditions within the enterprise (capacities, labor collective, internal organization, etc.) and
 - conditions outside the company (market, country's economic policy - measures, economic instruments, etc.),
- forecasting the realization of income and its distribution to the part belonging to the community and the part that remains to the company for salaries and funds.

Company plans must be in line with market needs, realistic capabilities of the company (its capacities) and its multi-annual development. In essence, the company's business policy is concretized in company plans.

Companies align their plans with social plans that guide the development of the economy.



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By setting the basic tasks and proportions of economic development, social plans guide the economy in a certain direction, leaving enough opportunities for creative activity and the initiative of enterprises, i.e. their working communities, in order to make rational use of all elements of business and achieve optimal economic results. With its plan, the company pre-determines the most favorable relationship between planned traffic and engagement and spending of labor, material and fixed assets.

The interests of the community are that the company operates in accordance with the guidelines of certain social rules and in time to settle its obligations to society. The interest of the company is expressed in the largest allocation of income into company funds to expand the material base and strengthen its position on the market. The interests of the working collector are reflected in the greater allocation of funds for personal and collective consumption.

The division of plans is done according to the basic criteria:

- who brings them,
- for what period of time they are brought,
- which matter is covered.

In independent business plans, the direction of the development of the economic business of the company is carried out.

According to the length of the period for which they are being made, the plans are divided into perspective and current.

Perspective plans are adopted for a longer period of time, five, seven, ten and more years.



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The perspective plan maintains the basic line of economic development of the economy or company for several years. It serves as a basis for the adoption (development) of current plans.

Current plans refer to shorter periods of time for more than a year. In the current plans, specific tasks set in a perspective plan are specifically and thoroughly elaborated, of which they are an integral part.

Depending on the needs, the content of the plans can be very diverse. Thus, the independent plan of the company includes a plan for the procurement of goods, a sales plan, a staff plan, an investment plan, a financial plan, etc.

All these plans can be both incomplete and partial. Summary plans include the enterprise as a whole.

Partial plans include individual organizational units of enterprises (sectors, labor - economic units, etc.). The sum of partial plans should, as a rule, be equal to the bottom line of the entire enterprise.

The dynamics of the plan represents the elaboration and division of the current annual plan for shorter periods of time.

The development of the current annual plan for semi-annual, quarterly and monthly fall into the domain of basic planning. Further division and elaboration of basic plans for months, decades, days (and daily shifts) falls into operational planning.

In the company's current business plans (annual, semi-annual, quarterly and monthly), it integrates and connects the work of the company as a whole. They set out the framework planning tasks and they serve for further planning in the enterprise. They are usually made up and brought by the end of the current year for the next year.

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Operational current plans are established for a period shorter than one year.

They are built on the basis of the guidelines and the business framework established by the basic plans. They serve as an instrument and a guideline for concrete actions. The main purpose of the operational plans is to enable the timely monitoring and execution of the basic plans. Thus, the companies produce monthly and decade plans for the purchase and sale of goods, and, if necessary, for the seasons.

Operational plans are also called executive plans, because they help carrying out basic plans of the company, whose components they are.

Operational plans may, if necessary, deviate from the settings and proportions established by the basic plans. The company's independent plan sets out the tasks (guidelines) for the current year and envisages the conditions that should ensure the achievement of these tasks.

1.6. Planning of raw material

In the process of circulating company funds, procurement makes its first phase.

Under the conditions of a developed market, the role of the purchasing department is not exhausted in securing the required quantity of goods. Its tasks have become much more complex and accountable. In addition to supplying the company with the necessary goods, the purchasing department is required for rational and cost-effective purchasing, which contribute to increasing the profitability of the company. This is because successful or unsuccessful purchases directly reflect the success of the sale. The accumulation of recurrent goods in the trade is most often due to errors in the purchasing department.

On the market, the successful work of the purchasing department is conditioned by a rational procurement policy. Under the procurement policy, we mean the principles to be followed in

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the procurement of goods, as well as the choice of methods and measures that ensure the achievement of goals that meet the needs of the enterprise and the community.

As an integral part of the business policy of a company, the procurement policy must be in line with the sales policy, financial policy, and so on. The main objective of the procurement policy is to supply the company with the necessary goods under the most favorable conditions.

Each company sets the goals of its procurement to its needs and opportunities and market situation. A rational procurement policy should be covered by principles:

- that procurement is done with the most favorable suppliers,
- to purchase that kind of goods that best meets the needs of consumers with its quality and other characteristics,
- that the procurement is carried out at the right time and with the most favorable prices and other conditions of procurement,
- that procurement business takes place in line with business ethics.

Purchasing department performs three groups of tasks: market study, execution of specific procurement and keeping of procurement records.

The procurement market consists of the area where the sources of goods (packaging, consumables, etc.) are located, which the company wants to acquire.

Every type of merchandise that is the subject of the business requires to be treated separately in relation to its procurement market. First, it determines which type and quantity of goods are requested by customers (consumers), and only afterwards sources (suppliers) from which these goods are procured.

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Procurement bodies of an enterprise cannot be limited to only one supplier. They must, in the interest of their company, have full insight into all suppliers offering certain goods and under what conditions. The purchasing department should establish relationships with the widest range of suppliers.

The study of the procurement market of certain goods includes:

- determining the quantity of goods on the market,
- determining the quality and range of goods that appear on the market,
- determining the price at which the goods are offered.

In the conditions of a well-supplied market, the demands of customers in terms of quality and product assortment are increasing.

For the modern consumer, in addition to quality, the outward appearance of goods is important.

The best passes are goods that are functional, modern. Goods that do not meet the needs, tastes and payment possibilities of the consumer are non-tradable and then the sale must be accessed, below the purchase price for the funds and income of the enterprise.

In order to acquire goods that meet the needs and requirements of customers (consumers) with their quality and assortment, it is necessary to know what in this regard is offered by some purchasing sources.

Purchasing authorities studying the market are able to evaluate the quality of goods (its composition, characteristics and everything else that is characteristic for those goods). When choosing an assortment, the purchasing authorities manage with the tendency that it corresponds most to the previously studied wishes and tastes of consumers.

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When choosing a supplier, the purchase price is certainly one of the important factors. It is known that the lower price of the supplier does not have to be the most favorable for the buyer. In addition to the price, other conditions depend on the rationality of the procurement (size of the order, manner and time of delivery, transport and packaging costs, terms of payment, deadlines for reclamation, etc.). Of particular importance is the distance between the place of purchase, both due to the level of transport costs and transport risk.

A lower purchase price allows the company to set a lower selling price. Hence the choice of the most favorable supplier is conditioned by the production and comparison of the calculation of the purchase price of goods of several purchasing sources (suppliers). It is normal that the company will perform the procurement with the supplier whose shipment, under the same other conditions (quality, assortment, delivery time, etc.), ensures the lowest purchase franco-warehouse of the buyer price.

Procurement authorities should not be unilaterally oriented at a lower price. Procurement must be focused on achieving the most economical and most rational sources of procurement. Between the suppliers who have the necessary goods, one should define the one who offers the most favorable deliveries and payments for the same price and quality.

By monitoring and analyzing the market, purchasing authorities should spot price movements and, on the basis of knowledge of market conditions, choose those purchasing sources and suppliers that offer the most favorable conditions. For this purpose, valuable information is provided by the records kept by the purchasing department of the company, which should be constantly updated with data obtained from suppliers, intermediary organizations or from commercial publications in which the prices and tendency of their future movement are shown.

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Proper business requires the purchase of larger quantities of goods than is necessary for sale at a certain time interval. Likewise, an enterprise should not be left without sufficient supplies of goods, so that it can always settle consumer needs. The basic problem is that for each type of goods, the size of the stock will always be stored in the warehouse. The solution to this question depends on whether it will go on shorter time intervals or on large orders that provide the company's needs for a longer period of time.

In order to avoid the negative consequences of unnecessary frequent or small orders, or large orders at longer distances, for each particular type of goods, the minimum and maximum stocks to be kept in stock are determined.

Minimum stocks represent the least stock to be held by the trader in the store or stores. If supplies fall below the minimum, they are threatened not to exhaust before the new delivery of goods arrives, which leads to a standstill in the supply of consumers. Unseen to buyers stop supplying from that company and go to another, better-equipped company.

The maximum stocks are those stocks that the company is so supplied that each quantity above these resources means unnecessary bonding of working capital, with all the negative consequences that result from it (higher storage costs, higher interest rates, higher insurance costs, risks, losses related to spoilage and demolishing goods, etc.).

Several factors work on the size of the order or stock:

- possibility of supply,
- tendency of price movements on the market,
- nature of goods (perishability),
- the possibility of changing needs and tastes of consumers,

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- the relationship between procurement costs and storage costs,
- available accommodation space,
- financial possibilities of the company, etc.

Each of these factors has a certain impact on the size of the procurement, but they do not have the same significance for all types of goods. Their impact varies by product type.

In principle, minimum supplies or smaller and more frequent purchases should be created when there are normal supply conditions and when it comes to goods subject to deterioration.

When prices of individual articles on the market show a tendency to decline, there is no need to go for big purchases, as later purchases will be cheaper. In the case of a tendency to increase prices, higher orders should be made, since later purchases will be more expensive.

In the first case, the company is kept at a minimum, while in the other it goes to the limit of maximum supplies.

The company will sometimes be forced to make orders within the limits of minimum stocks, due to insufficient storage space or insufficient financial resources. Likewise, the company must be very careful when determining the size of the order of novelties and fashion items, whose sales depend on the variable wonders of consumers.

If supply sources are distant and interconnected with high transport costs and risk, it is economically justifiable to create larger spare stocks of goods and acquire a higher amount, as storage costs are lower than the cost of purchasing more sophisticated small orders.



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2.

METHODS FOR THE REALIZATION OF INNOVATIVE SOLUTIONS IN SMALL AND MEDIUM ENTERPRISES



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"Innovation" is the term that has been popularized not only by the governments of developed countries, but also by the world of business, education and the research community in recent years. It is intended to point to the fact that global economy increasingly depends on knowledge and communication, and that improvements in the efficiency, effectiveness and suitability of our products, processes and systems at all levels and in all areas are crucial for maintaining competitiveness and providing responses to the challenges of the future.

Successful exploitation of new ideas from science, technology and new management practices has a key role in raising productivity. The most successful economies in the future will be those that stand out in acquiring and disseminating knowledge and their commercial use. On the other hand, productivity is unsatisfactory where small and medium-sized enterprises fail to take advantage of technology.

The European Commission and European governments have developed a series of initiatives that support innovation in business and economics since 1995, bringing a series of acts dedicated to this issue. Thus, innovation goals are defined, which include: the coherence of innovation policies, the creation of favorable regulatory frameworks, the encouragement of the creation and growth of innovative enterprises, the improvement of key interfaces in innovation systems, and the creation of an open-innovation society. These objectives are monitored and supported through a range of activities, including a trend chart on innovation that collects, analyzes and publishes information on innovation policy in all Member States.

Although EU and national policies have identified innovations in SMEs as the cornerstone of future economic development and competitiveness, the European Commission and European governments are concerned about the uneven distribution of innovative firms and their sustainability. Most government innovation policies are linked to European innovation policy, of which the majority of initiatives relate to direct support for innovation in business.

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The EU supports a network of over 70 innovation centers that help companies and research organizations transfer technology to and from the rest of Europe through financial support or support for liaison offices in public research organizations to promote public-private links. The Business Innovation Centers (BIC) Network throughout Europe particularly supports SMEs in the development of innovative technologies and processes.

Through the EU's specific activities, it directly supported innovation through the 6th Research and Development Framework Program (SP 1: € 11.5 million, SP 2: € 348 million for 2003-2006), and many others.

However, the theme of innovation draws on many EU activities, including for example employment, community and training activities such as the European Social Fund and related programs. Also, support is also available at the national level, for example in the UK, the government has established a Knowledge Transfer Partnership program that supports the transfer of technologies, innovations and knowledge through which talented university graduates are provided with a job, including businesses, but also scientists or researchers working together on commercially and strategically important development projects that are vital to the company's future, but are beyond the existing capacities of those companies.

In Serbia, certain activities are being undertaken in terms of improving this area, both through regular activities of the Intellectual Property Protection Office of the Republic of Serbia, and through the IPA National Project "Support to the Establishment of the Educational and Information Center of the Intellectual Property Office of Serbia" financed by the EU and managed by the Delegation of the European Union in the Republic of Serbia, and implemented by the European Patent Office, as well as the establishment of the Technology Transfer Centers at Universities, which aims to identify, protect and commercialize the

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results of scientific research and professional work and the protection of the intellectual property of the University. These centers have the following goals and objectives:

- improvement of the possibilities for efficient and effective application of the scientific and research results of the University in order to develop the economy and society,
- encouraging the transfer of knowledge between the University and the economy,
- support for the placement of new technologies and innovations,
- linking relevant entities, networking and collaboration for the purpose of more intensive technology transfer,
- developing knowledge and skills in the protection and exploitation of patents and other forms of intellectual property in the process of technology transfer,
- raising awareness of intellectual property and increasing technology transfer capacity at the University,
- providing general information on intellectual property,
- expertise and support in the preparation of technological and economic feasibility studies, as well as the assessment of the value and total potentials in the use of patents,
- assistance in the creation of new innovation centers, incubators and business-technological parks established by the University and faculties within the University.

All organizations need to improve their innovation process, because they are the core of future revenue. In reality, however, most organizations, especially small and medium-sized enterprises, find it difficult to understand how effectively innovation is managed. Research and development, where they exist, are often perceived as the only directly responsible for innovation, and it is considered that they have no significance for other areas of business, or

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do not see their contribution. However, companies need to create a framework for understanding and managing innovation, in order to achieve significant improvement in total business, both in the results of individuals, as well as products and services.

One definition of innovation can be the one used by the UK Government: "Innovation - successful exploitation of a new idea - the inclusion of new technologies, designs and best practices is the key to business processes." The second can be "Innovation refers to the whole process that involves the use of creativity and research to create new ideas, feasibility studies to assess their cost-effectiveness, risk analysis, design and development, new policies and procedures, market research and marketing, and the application of a new product or service".

Companies that seek to develop and exploit new ideas must be involved in strategies, participation and management of the innovation process.

The European Commission for Innovation and Knowledge Management has identified innovation management techniques, defined as a set of tools, techniques and methodologies that support the process of innovation in enterprises and to help them to systematically approach new market challenges. Ten techniques for managing innovation have been identified:

- knowledge management,
- market techniques,
- networking techniques,
- Human Resource Management,
- interface management,
- techniques for development of creativity,

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- techniques for process improvement,
- techniques for management of innovation projects,
- techniques for design management,
- techniques of job creation.

Today, the life cycle of the product becomes gradually smaller. In fact, in some sectors, such as the computer sector, technological devaluation of products takes place within a few months. For this reason, it is a great advantage for companies to be able to introduce new products to the market ahead of their competitors. Today, companies must be able to be constantly innovative in order to maintain or improve their position on the market. In order to achieve this, they must know how to identify the needs of the innovation of the business problem.

Innovation management tools used for this are technology revision and SWOT methods.

Technological revision is a test method aimed at evaluation of:

- technological capacities,
- procedures,
- needs of small and medium enterprises or organizations.

In addition, it is a process of analysis, a method of identifying strong and weak points through characterization, and a general assessment of the company's basic knowledge, as well as the estimation made using the SWOT analysis methods.



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2.1. Tools for development of innovative solutions

Defining the characteristics of the present are radical and continuous changes. It is of the utmost importance that people think creatively, so that efforts during the change process are justified. Creativity is a complex field of study, which is why there is no clear definition of creativity, but there are many of its definitions. We will maintain a definition that emphasizes the distinction between creativity and innovation, according to which creativity is the process of creating new ideas, while innovation is translating ideas into new products, services or production methods. We want to show that the activity of the organization can increase its efficiency and effectiveness as long as it uses creative measures.

We will retain on the following content:

- What are the reasons, why and when encouraging creative solutions in the organization are recommended;
- What is the basis for generating ideas, which are factors that stimulate or block creativity, how creativity affects management style;

Generating ideas depends on several factors and they are:

1. A creative personality (or group), where two categories are distinguished:
 - Adapters: They like things to work better, trying to improve the situation without making radical changes,
 - Innovators: they like to do things differently, trying to carry out radical changes.
2. Creative product - something new, original, but also realistic; it is very important to create new ideas, but also their practical realization that brings benefits to the organization.

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3. Creative process - consists of several stages:
 - Defining the problem (documenting already existing organizational problems),
 - Further preparation (focusing problems, formulating hypotheses without censorship),
 - Incubation (a try for finding a solution),
 - Enlightenment (the emergence of a solution, in most cases, the solution appears in unexpected situations),
 - Check (it works to eliminate errors or omissions).
4. Creative environment - it must be relaxed, friendly, to stimulate imagination and unusual solutions.

Why is it recommended to create innovative solutions in organizations?

- This proved to be very productive (for example, when an organization has difficulty finding solutions to a particular problem, the brainstorming session can offer solutions);
- increases the competitive spirit, confidence and initiative of members of the organization (for example, an organization can discover that it is more effective to find solutions using its own employees than to engage in consulting services for people on the side);
- enhances the mood and relationships between employees (for example, creating a relaxed atmosphere open to communication provides an opportunity for employers to discover potential problems of an organization, regardless of the degree of their occurrence, before the situation is out of control).

When is it recommended to create innovative solutions in organizations?

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The generation of new ideas and their implementation are recommended in the following scenarios:

- When the market imposes a faster rhythm: new workers, as well as ordinary people, can be valuable sources of alternative ways to use technology, new ideas;
- When the present problems override the system or in order to bring in the parameters regarding the efficiency and effectiveness of the organization;
- When there are significant demographic changes, the industrial and marketing structures themselves will be changed.

How to find ideas for generation?

Creative personalities were initially in the focus of research in the field of creativity. Since then, research in this area has been expanded, including topics such as: creative personality (group), creative product, creative process and creative environment.

The role of innovative approach in small and medium enterprises

In the economically developed countries, even in our country, the small and medium-sized enterprises sector is recognized as one of the basic headquarters for economic stability and economic development. The European Commission has developed a framework program for initiating competitiveness and innovation in the field of small and medium enterprises. An innovative approach always puts in place all the potential resources that are available. Innovative companies accept philosophy, that there is always a better way of doing business and search for new ideas that will increase their value, or reduce costs. In order to accelerate

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the innovation component in small and medium enterprises, the market offers consulting services aimed at providing the company with recommendations and advice in order to improve existing business or solve problems within certain business areas.

In the economically developed countries, in Europe, even in our country, the small and medium-sized enterprises sector is recognized as one of the pillars of economic stability and economic development. The European Commission has developed a framework program for competitiveness and innovation for the period 2007-2013. with a special focus on the Small and Medium Enterprises sector (hereinafter: SMEs). Many countries in the region have already aligned their national SME development strategies with the mentioned program, Serbia is among them.

The objective of the Strategy for a Competitive and Innovative SME from 2008 to 2013 is the development of an entrepreneurial economy, based on knowledge and innovation, which creates a strong, competitive and export oriented SME sector, but also significantly contributes to increasing living standards in Serbia. The implementation of the Strategy in the forthcoming period should enable the creation of a more efficient environment for the operations of the SME sector, the balance of the number of small and medium-sized enterprises and the stimulation of the faster development of this sector.

The Enterprise and Entrepreneurship Development Support Program has a primary objective to help create a framework for the development of a sustainable, internationally competitive sector of export oriented SMEs. One part of these goals is achieved through increasing the efficiency of government policy that should advance the private entrepreneurship sector.

The basic issues that currently affect the development of enterprises and entrepreneurship in Serbia are reflected in the institutional shortcomings that exist within the state institutions and

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business support organizations, the discontinuity of financial institutions, the existence of some legal obstacles, the development of human resources, incomplete information and the statistical system, strategic counseling, inefficient donor coordination, and so on. On the other hand, because of the ongoing transitional process, in our company, i.e. their management, the role of innovation is placed in the second plan, not as a priority of our own progress and increasing our own role in the market. The constant presence of this issue has led to the presence of other forms of promoting support for the development of enterprises and entrepreneurship. One of these forms is the role of "innovative consulting" in supporting the development of small and medium-sized enterprises.

Transition

When we compare different transitions, we come to the conclusion that there are many similarities among them. Serbia has been in the transition process for only a few years, while in some countries in the region, the transition has been going on for over 20 years. Serbia is, it can be said, at an early stage, and that is a fact that is important to keep in mind. Another important element is the fact that Serbia has a long entrepreneurial tradition in relation to the countries of the former Eastern bloc. People from the area of present Serbia traveled, worked with foreign companies, which is a good prerequisite for the development and improvement of entrepreneurship in Serbia. Innovation is a necessary development factor. Innovation always leads to new ideas, new solutions, new forms of business, especially in the SME sector.

Especially in times of crisis and transition, entrepreneurs have to think about new products, new processes and new ways of working. In order to make a better price, better quality

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product or service, not only survive on the market, but also improve the existing market position. In this way we get new ideas, new jobs, which bring new working places.

The basic competitive advantage of every modern company is its ability to innovate. Innovation of the company results in an advantage over the competition, and the competitive advantage achieved results in an increase in profit which is the basic goal of every modern company. Improving the overall social innovation capacity and the development of entrepreneurship is one of the key factors in social development. Raising awareness of the need for innovative consulting in SMEs would create an environment that would be stimulating for the development of the SME sector as well as innovation in general. The future of SMEs is knowledge-based in the development of business. A company that is able to offer a resource of high-quality intellectual capital will surely find partners. Today, the most demanding goods and services are the one that are based on innovation and knowledge.

2.2. Small and medium enterprises as a business potential

Small and medium-sized enterprises are a driving force that is increasingly reliant on the European Union's economy. In Europe there are about 20 million small and medium enterprises, and they make up over 99% of enterprises in most EU countries. Small and medium-sized enterprises are an important and fundamental source for creating new jobs and expanding new business practices. Small and medium enterprises make a significant contribution to the social gross product. This rule applies to small and medium-sized enterprises in Serbia, as well as to those located anywhere in the world. The role of SMEs is particularly important in countries in transition. In addition to many other advantages, the advantage of small and medium enterprises is also reflected in innovation. SMEs in Serbia



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proved to be very elastic during the 1990s, although this period is characterized by a very harsh economic environment (UN sanctions, civil war in the region, bombing in 1999, lack of stimulative regulation for SMEs, legal and economic instability, etc.). During all these years, the number of SMEs has even had a rising rate, which speaks of the enormous potential and adaptability of SMEs. The latest data (Blic online November 23, 2007) show that there are 60,552 active enterprises (legal entities) in Serbia, of which most are small enterprises - 94.1% (56.993). There are 2,573 medium-sized enterprises (4.3% of the total) and 986 large enterprises (1.6% of the total). There are also more than 200,000 entrepreneurs.

In the 21st century Innovations are the main driver of economic growth. Innovation determines the competitiveness of the region and the nation. For the sake of its further economic development, Serbia has a good chance to develop towards an innovative society. The chance is to create a knowledge-based economy that provides support for innovation in SMEs, and therefore increases its competitiveness in the market.

An innovative approach always puts in place all the potential resources available. In our case, one of the potential resources may be even the transition of old bulky industries that are directed to new business, especially towards the SME sector.

In the process of transition, people are most often forced to change the paradigm. Pressed under the new circumstances have to think about new products, new processes and new ways of working. Thus, new businesses are emerging that open new jobs, new ideas, new products, new market access, new services. Raising awareness about the importance of innovation is a great opportunity to prepare well for entry into the marketplace called the EU. I think it is necessary to use the time ahead of us to prepare and train the SME sector for an innovative way of thinking and doing business.

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The notion of innovation cannot be tied only to science and high technology. Innovation is an innate part of every human being. Innovation has always been a human virtue. Innovation is a driving force that has always progressed through history. Innovation in SMEs is very important. The business of small and medium-sized enterprises is unthinkable without constant advancement and innovation. Innovation is "effectively putting into function the latent potential that exists in the organization".

The goal of Innovation is "to profit from ideas that are new to the organization". Innovation should be a key element of each company's strategy. Innovation is a process! The process of innovation begins with an idea, the idea turns into a proposal, and the proposal becomes a plan. When an idea is transformed into a plan, a detailed creation of a business plan that can be invested comes into play. The investment, when realized, increases the value of the organization and brings profit.

Innovation is the main driver of economic growth and development. Introducing new and improved technologies, developing new and enhanced ideas. Continuous improvement of quality and services is one of the basic conditions for the survival of each company on the market. Especially in countries in transition where the economy is less developed it is very important to promote and provide a healthy atmosphere for innovation and innovative approach. Innovation and development are key elements for any product or service to be competitive on the market.

An organized and applicable development is necessary, which will result in the production of products and services that are competitive on the market. Often innovations require much less investment and they achieve far greater results.

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Innovation is the basis on which the future of each company rests regardless if it is a big company or a small or micro-enterprise. Innovation enables significant business advancement and increased utilization of company resources. The notion of innovation involves not only technical innovation, but also economic, social and institutional.

2.3. Innovative business in the company

Innovation is not the same as creativity. Innovation is the realization of profits from ideas that are new to the organization. The essence is not in possession, but also in the realization of profitable ideas. It should never be forgotten that Innovation in an enterprise, necessarily resulting in better competitiveness and a competitive advantage implies increasing profits.

The emergence of entrepreneurship is innovation. By social dimension, they are defined as: social, socio-technical and purely technical innovations. By the degree of innovation (change) they are divided into: radical, revolutionary, evolutionary, trivial, and peripheral. Everything from their aspect is significant, because they represent novelties in the process, product or production solution.

There are some difficulties in defining the notion of innovation. It is often unclear whether a novel is considered an innovation because of the small or insignificant degree of change it has caused. Sometimes, however, innovations are meant to be an invention, sometimes an imagination itself, and often a finding, which must be recognized, quite different from innovation.

The invention is a unique idea, which is just an idea and to whose commercialization there is a very long way. If, however, the idea finds its commercial path and challenges the novelty in

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the process, product or solution, and achieves significant economic results, then it is about innovation.

Imagination is not even an idea, but only a reflection, a sort of process of spiritual creativity. Imagination is the process of creating artwork, which certainly increases the social wealth of one nation, but does not directly contribute to its economic development. The discovery is the process of finding something that has existed for a long time. Columbus did not invent America, but he just did this great historical discovery. Innovation is not a discovery, it never existed in any form, and it is the original act of an individual.

On the basis of everything exposed, innovation can be understood as "a novelty embedded in an existing state". By character and scope, this novelty can be expressed as a substitute and as a renewal. In any case, it is about changing the previous one and introducing the new, whereby the future overlaps the existing reality.

Innovations are:

- inventions,
- technical improvements and
- improvements of organization and work.

There is no entrepreneurship without innovation. In irreversible social movements, innovation and entrepreneurship are often equated with each other. This is certainly possible, provided that the bearer, financier and inventor of the innovations are the owner of the capital, who with his property bears the risk for the business decisions. P. Drucker categorizes all causes of innovation in seven groups:

5. unexpected: success, failure and external event,

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6. discrepancy between present and normative reality,
7. need caused by some process,
8. changes: in the structure of the economy or the market,
9. demographic movements,
10. 10. Changes: in observations, moods and meanings and
11. new: scientific and non-scientific knowledge.

Intuition, experience, knowledge and reality are the best components in the realization of entrepreneurial ideas. One does not create a chance without the other; it does not solve problems, does not see the danger and does not see the scope of the business decisions taken.

Innovative organization is in reverse proportional to the economies of scale: the larger the company, the percentage less innovative solutions. This real fact has long been ignored in large economic entities, which with their powerful economic power, huge capital and number of employees, compensate for the lack of invention and innovation of their employees.

In small and medium-sized enterprises, new ideas are created and are looking for fast and efficient economic solutions. Seeking opportunities and risk management belongs to small and medium-sized enterprises, which are, by definition, more flexible and more adaptive than powerful economic systems. Entrepreneurship as an organizational skill is a form of customization.

The development of small and medium-sized enterprises and privatization of social property in our economy are two necessary conditions for the reaffirmation of entrepreneurship. In such conditions between the entrepreneurship and private initiative, a sign of equality should often be put. One without another does not exist; both are based on private ownership and

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essentially belong to small enterprises. Thus, basically, it proves that entrepreneurship is a factor in the production process, without whom, as well as without expensive constituent factors, these economic entities have no economic opportunity.

Innovation is the development and application of ideas or skills for the purpose of commercializing new or enhancing products, processes and services that lead to an increase in economic and social prosperity. Innovation is a look at things, processes and a key element in creating a strategy of competitiveness.

An innovative company accepts philosophy that there is always a better way of doing business and a search for new ideas that will increase its value and reduce costs. Regardless of the perceptions that are most prevalent in our country, innovation is needed for every company, from the smallest to the ones where innovation is the main driving force of development.

Innovation of the company can be seen through the sale of products and services, the way it works, organizing its own business, etc. In addition to innovation, it is also necessary to develop many expensive skills in order to successfully master them.

Very few organizations can survive infinitely long without innovation. The urge to explore the latent potential of new ideas is not the privilege of only commercial enterprises.

Innovation is a process that begins with an idea that is new, at least for an organization that is considering adopting it. Innovation takes place in phases. When an idea develops, often in combination with other ideas, it can become a "proposal" - something an organization can choose to invest in it. If an organization chooses to adopt a proposal then it is usually required to invest and the previous modes may need to change, sometimes radically. When the proposal becomes a reality, in the good case it starts to add value to the organization then it

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can properly be described as "innovation". We define innovation as "getting new ideas and fully exploiting their latent potential."

Each phase is an element of the innovation process. Separately they are important, but by themselves are not innovations. If the company finds a new way of increasing the safety of passengers in plane crashes and dear ones using their idea then the inventor cannot be considered an innovator. Innovation requires the organization to benefit from the latent potential saved in the idea. Innovation is a strategy for gaining and maintaining competitive advantage.



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