

SMALL AND MEDIUM ENTERPRISES IN BIH ON THEIR WAY TO ACHIEVE BUSINESS EXCELLENCE BY IMPLEMENTING THE CONCEPT OF INTEGRATED MANAGEMENT SYSTEMS

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ABSTRACT

Small and medium enterprises should set the following elements as the imperative of their operations-achieving business excellence which enables sustainable development and taking the market position in accordance with such excellence. Business excellence obligates companies to constantly improve the quality of their operations. It is realized as a result of the synergy effect of every part of a company. Companies have to transform and constantly improve all their operations and be responsible and flexible as well. They also have to anticipate events. In small and medium enterprises, business excellence can be achieved by the implementation of the total quality management concept and the integrated management system. Small and medium enterprises cannot accomplish the total quality management concept in a short period of time. Therefore it is easier for them to achieve business excellence by implementing the concept of integrated management systems. The implementation of the integrated management system concept gives companies various benefits such as comparative advantage, new investments, brand protection and improvement, increased attention by stakeholders etc. Integration determines mutual goals and helps in avoiding conflicts regarding the content and doubling of activities, which increases business efficiency. The paper analyzes the implementation of partial management systems in small and medium enterprises in Bosnia and Herzegovina and indicates the necessity for the implementation of the integrated management system due to its usefulness.

Key words: *Business excellence, Total quality management (TQM), small and medium enterprises (SMEs), integrated management systems (IMS)*

1. MANAGEMENT SYSTEMS IN SMALL AND MEDIUM ENTERPRISES IN BIH AS A LIMITATION TO THEIR COMPETITIVENESS

Small and medium enterprises in Bosnia and Herzegovina have been recognized as a key factor of its development. Their number, employees, rate of new work places and important role in GNP are the arguments in favor of this statement. With appropriate development strategy, legal guidelines and coordinated support of the institutions, SMEs might also have a bigger role in the domestic market and gradually in the foreign markets. They might be partners for larger domestic and foreign companies, initiate development projects and thus employ more people. Therefore it is important to recognize the mechanisms of market economy where SMEs could accomplish expected results. Besides favorable environment, whose establishment, management and improvement are the task of the government; entrepreneurs have to accept client oriented business philosophy. According to Drucker, every company has to become competitive in the world even though it produces or sells on a local or regional market. Competition is no longer local, there are no boundaries. Every company needs to have a global management if it wants to have long term business. Small and medium

domestic enterprises cannot build their competitiveness on cheap labor force and natural resources. They have to do it by introducing new technologies and implementing modern management systems. The owners of SMEs in BiH did not completely accept business philosophy that a satisfied customer is their highest priority which is directly related to insufficient market environment and business in the past. That resulted in the rejection of programs aimed at development and improvement of organizational performances which are realized through various management systems, primarily quality management systems.

Unlike in BiH, ever since 1980s SMEs in the world have paid special attention to the implementation of programs for improving organization performance. Problem solving, statistical control of a process, quality tools and TQM were implemented in 1980s. Companies reduced their defects and started improving their processes. At the beginning of 1990s the most popular programs were Benchmarking, ISO 9001, ABC – activity based costs, shorter cycle period and reengineering. Productivity grew, innovative products were developed, costs were reduced and the period for the appearance on the market was shorter. The quality also grew, customers were more satisfied, the reengineering of a process was introduced and the values of stocks increased for stockholders.

Entrepreneurs in BiH do not implement new management concepts for several reasons. We point out two: (a) insufficient information and (b) insufficient funds. Advanced management concepts such as Benchmarking or QMS are rather rare in our SMEs mostly due to the fact that entrepreneurs are not informed about the basic characteristics of these concepts and benefits from their implementation. The reasons for this can be related to the weaknesses of education in high schools and faculties but also in chambers of commerce, regional and local agencies, NGOs etc. In case they decide to introduce the management system, small and medium enterprises can count on the assistance of government (entities and cantons), domestic regional development agencies and international organizations (European Bank for Reconstruction and Development). However, the funds are limited and announced by Public notices only to the companies which individually initiated the project of the management system implementation. The most frequently funded projects are those aimed at the introduction and certification of HACCP program, re-certification of HACCP, ISO9001 and environment management system 14001.

2. IMPLEMENTATION OF INTEGRATED MANAGEMENT SYSTEM IN SMEs

The aforesaid confirms that there can be more partial management systems in a company. Their developments are usually not balanced, which depends on the company's size and its scope of business. There are standardized and non-standardized management systems. The systems without the basis in the existing international regulations are treated as non-standardized management systems such as production, financial, personnel and strategic. The aspirations of entrepreneurs in SMEs expressed through the demands for standardization must be directed to the management systems which already have the basis in the existing standards which is precisely why they are called standardized management systems. They represent the condition for an integrated management system (IMS) of a company, in which the conflicts of partial management systems are avoided and thus company's business goals are achieved more efficiently.

Standardized management systems are the following:

- Quality Management System – QMS/ISO 9001
- Environment Management System – EMS/ISO 14001
- Health and Safety Management System – OHSMS/OHSAS 18001
- Social responsibility Management System – CSRMS/SA 8000
- Food Safety Management System – FSMS/HACCP/ISO 22000
- Information Security Management System – ISMS/ISO/IEC 2700

These days there is a trend for standardizing partial management systems oriented to fulfilling needs of individual parties or customers. The Quality Management system is therefore oriented to satisfying customers' needs, Health and Safety Management System pays special attention to employees which is also the case with the Social Responsibility Management System.

Partial management systems are concentrated on the isolated management fields which are frequently in contrast. Their implementation can cause conflicts in competence in the organization.

A model of an integrated management system is a combination of the standard management and the TQM criterion. In other words, the TQM model of an integrated management system is a model of an integrated management system of SMEs which implements standards through nine modified TQM criteria:

- the role of management in the organization of operations,
- quality and environment planning by the management,
- the usage of employees potential,
- rational usage of resources,
- technological processes and operations management,
- customers' satisfaction,
- employees' satisfaction,
- the influence of an organization on the environment and society and
- the results of the organization operations.

Integrated management system, similar to TQM concept, includes constant improvement of business operations due to achieving excellence. The goal is permanent and organized improvement of the quality of a product and company's services – each organization needs to improve all segments of its business. The implementation of the concept of IMS gives companies certain benefits such as encouraging risk management and comparative advantage. It also attracts new investments, improves and expands brand reputation, increases attention and satisfaction of stakeholders and avoids double instructions and efforts which cause confusion.

A strict implementation of the principle of continuous improvement leads SMEs to better performance not only regarding system efficiency but also efficiency parameters, general growth and development of SMEs. In other words, the integration of management system leads an organization to excellence measured by one of the existing models according to TQM principles.

The management of every company has problems related to the integration of the demanded standards/systems into their basic management system. A special problem is with SMEs which do not possess enough resources to establish those systems on their own. Here we have to point to some objective problems that exist:

- standards which must be set are not completely mutually and horizontally balanced,
- hiring various consultants often leads to confusion due to different approaches in the creation of these systems,
- each group of company users (buyers, partners, employees, suppliers and the society) demands only a particular system and defined standard,
- certification bodies are not qualified enough to check integrated systems.

These days, small and medium enterprises in BiH most frequently have only one or two standards for the management systems which is not sufficient since legal regulations and the market set the demands in several fields at the same time. One bakery, for example, should be able to implement:

- quality management system due to effective management but also customers' demands,
- environment management system and health and safety management system, due to legal regulations,
- safety system in food production, since that is a direct legal regulation.

Small and medium enterprises which want to have a successful business operations in future must solve the problem – how to implement all the regulations and standards and how to keep partial systems of management when laws and standards constantly change. The answer is that, regardless of a number of standards, the company should have only one manager and one management system in which all these standards should be incorporated. Such system is called an integrated management system.

3. CONCLUSION

If they want business success based on the concept of business excellence, small and medium enterprises in food industry in BiH should pursue the integration of partial management systems into one integrated management system. When defining what should be integrated, they must not start with standards but with the need of the company to survive on the market and to develop to the benefit of all parties. The first step in establishing integrated systems is to determine the appropriate

importance of the demands which should be satisfied such as legal and other regulations, customer and user demands, internal needs of the company, demands and needs of the community where the company operates, standards for management systems etc. The next step is to choose the strategy for the project realization. That can include: (1) to implement each standard separately, (2) to update the existing standard ISO 9001 which has the longest tradition in such a way that all other standards are satisfied and (3) to establish an undivided management system which complies to all groups of demands at the same time. The first option is irrational and expensive but it is by no means possible. The second option is more rational, especially since the basic standards for management systems are appropriately coordinated and there are large fields of complete correspondence. The implementation of this strategy is possible in cases where the company has completely adopted the quality management system and ensured that all the processes are according to it. Our research has shown that in most small and medium enterprises in food industry that have been given certificates, the quality system is only partially implemented, which means that it remains only on paper and as such it could not serve as the basis for integration. The third option seems to be the only correct one since the company should have a unified management system.

The implementation of integrated systems is not simple since all the participants have to meet considerable demands. They all need to understand the aspects of modern business, legal regulations, technical standards and many other things so that the implementation of standards for management systems should give real benefit – making profit and increasing abilities of small and medium enterprises to survive and develop in the conditions of market competition.

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