

## THE INFLUENCE OF PROJECT MANAGEMENT ON ECONOMIC ACTIVITIES PLANNING IN BROD-POSAVINA COUNTY

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### Abstract

Croatian economy in the past years has gone through, or is still going through two periods of recession. The first period from 1998 to 1999 and the second that occurred in 2008 and is still lasting. Nine years period of economic growth occurred between these two periods. These economic trends had a significant influence on the economy of Brod- Posavina County, that found its model of economic solutions focused to the increase of production.

The purpose of this article is to determine the correlation between the success of companies in Brod- Posavina County and use of local resources (incentives of Ministry of Entrepreneurship and Crafts) and international programs (CARDS, PHARE, ISPA and SAPARD, IPA) for the promotion of economic activities and entrepreneurs competitiveness. Conducted research showed the actual effect of prepared, nominated and completed projects on economic growth or economic survival of businesses, regardless of company size.

Study is based on an analysis of economic situation of Brod- Posavina County in segment of large companies, middle and small entrepreneurs and craftsmen during the economic crisis in period 2008 to 2011, which caused stagnation of economic activities. Study specifically observes businesses participating in preparation and submission of projects, concerning the source of funding.

SWOT analysis showed that the main problem of entrepreneurs is to organize survival of entrepreneurs companies, without investments in development or new

products adjusted to market figured out. Management activities must be directed to find a solution to increase the economic activities through quality projects whose effects are measurable and which obtain new employment and bonuses to the company. The result is adaptation to the market through new products or services.

JEL classification: O21, R58

**Keywords:** Project, management, economy, Brod- Posavina County, development

## 1. INTRODUCTION

The project can be defined in several ways, some of the definitions describe project as a time-limited one-time enterprise that is committed to provide unique products. Secondly project is timed effort to produce a unique product, service or result<sup>1</sup>. PMI (Project Management Institute) describes project managing as an application of knowledge, skills, tools and techniques in project activities to accomplish project requirements, Barkovic: projects are extraordinary events that must produce the expected results within given time and prescribed budget<sup>2</sup>.

Regardless of the definitions, all projects have several characteristics in common: limited time, specific knowledge is necessary for the implementation, each project has a expenses which must be carefully managed, and methods how project management leads are crucial and strategic aim of the company depending of them. It is often stated that aim of the project is to respond of market demands, to flexibilize products and services, and as a result to create a project-oriented organization whose project teams continually work on planning new products and services. Planning should not become purpose of its own, the planning must be controlled by mechanism based on comparing the achieved results and the aims reached.

For the purpose of more efficient planning and directing the development of Brod-Posavina County, it has been made a strategic document ROP - Regional Operational Programme of Brod-Posavina County 2005 - 2012 conceived as an instrument that will allow Brod-Posavina County to act according to the strategic and concerted development plan to various donors and investors, including the Government of Croatian Republic, the European Commission and to number of other bilateral or multilateral donors. In the short term, the aim of ROP is to allow

<sup>1</sup> [www.pmi-croatia.hr](http://www.pmi-croatia.hr) (20.03.2013.)

<sup>2</sup> Dražen Barković: Uvod u operacijski management, Osijek, 1999.

the County more efficiently and economically access to EU pre-accession funds of European Union and the EU Structural Funds as they become available in Croatia. ROP defined development vision and development aims, which is anticipated to strengthen the economy and to reduce unemployment, build infrastructure necessary for the development of entrepreneurship and wise management of the environment, intensive development of the educational systems that can adapt to the needs of the economy.

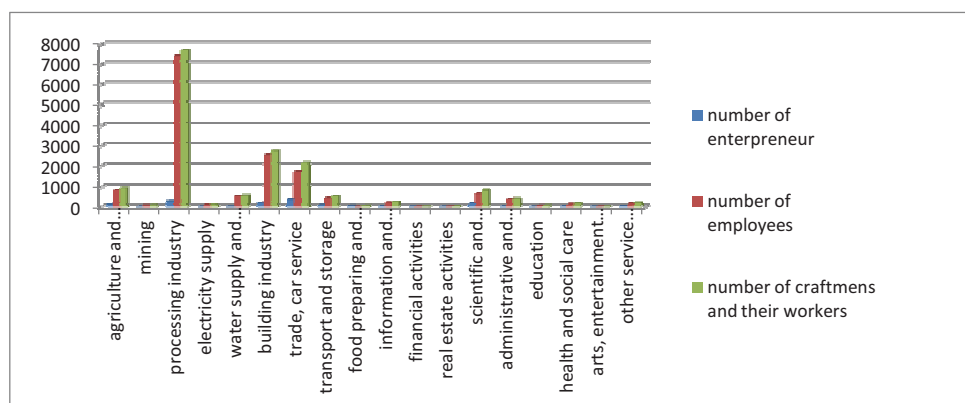
In order to achieve more successful implementation of ROP, Brod-Posavina County has established a Department of development and European Integration and strengthen the work of CTR - Development Agency of Brod-Posavina County.

Subject of analysis is success of the economy based on the accomplished cooperation between business entities and institutions that have been established for the purpose of economic activity planning and implementation through projects that will be nominated to the sources of financing; national or European funds.

## **2. ECONOMIC SITUATION OF BROD- POSAVINA COUNTY**

Economic of Brod- Posavina County in 2011 (available data) can be observed in segment of small, medium-sized and large enterprises and crafts. In Brod-Posavina County exist 1.523 companies with 15.659 employees. The largest number of companies are in trade sector and in sector of car servicing which employ 1.768 workers. Considering the number of entrepreneurs, next follows the manufacturing sector (294 enterprises), which employs a total of 7414 employees. Third sector is construction businesses with 199 businesses and 2541 employed workers. During 2011. in Brod- Posavina County has been worked 2707 craftsmen with a total of 6553 employees craftsmen and their workers.

Graph 1: Economic situation of Brod- Posavina County



Source: FINA, Croatian Institute for Pension Insurance, the Croatian Chamber of Trades

### 2.1. Influence of globalization on the economy in Brod-Posavina County

Negative trends of economic in Brod-Posavina County has been present during the observation period 2008-2011, the economy is stagnant or in decline, resulting in reduced overall profit business, increased total loss, reduced average net salary, external trade exchange is negative, and the coverage export by import has reduced from 112% in 2008 to 74,22% in 2011.

We can ask the question for reason that consequence is current poor economic situation in the Brod - Posavina County and how to predict economic recovery. Negative trends are mostly indirect results of the reduction in foreign investment as a consequence of the recession in the European Union since 2008. year. The situation is also a result of the recent twenty years, since the creation of the State, War, improper privatization model, through the strengthening of service activities, especially trade, which becomes dominant and without investment in production, resulting no economic development.

### 2.2. SWOT economic analyses of Brod - Posavina County

SWOT analysis represent a useful tool for the analysis of the current state of the economy and the conditions in which it happens. It can be used as a base on which can be made important strategic decisions that will point in what direction should be economic activity planed.

STRENGTHS	WEAKNESSES
Tradition in the manufacturing industry Starting foreign investment in the County Existence of business zones Good traffic position Natural resources High unemployment	Outdated technology Inadequate educational workforce structure Inflexible public sector High unemployment
OPPORTUNITIES	THREATS
Well-developed and adapted educational system Educated management Available funding Successful development agencies	The proximity of Eastern European economies Bureaucratized social system High taxes Complex labor legislation

SWOT analysis shows us that Brod - Posavina County has the capacity of which can be expected economic growth, and that means increasing of production, production capacity, and all other components of the economy apropos increase of the total output of the economy. Growth in the economy can be reached in several ways: progress of labor force, capital goods, technology and productivity per worker. To achieve economic growth, it is necessary to establish a management organization which provides efficiency without forcing and dissipation of resources<sup>3</sup> because managers are responsible for selecting the right aims, their realization through a maximum occupancy of all factors in the process of strengthening each organization individually and as an organization which represent economic factor.

Mission of manager is to direct economic activity, during a time of economic crisis and recession witch makes capital more scarce and more expensive, into a direction of change , turning toward to resources which are abundant, and that is people, trying to compensate through the development and maximum use of resources, inaccessibility and lack of other forms of capital. Knowledge that people are an inexhaustible developing resource, and in the same time the most flexible source of capital, defines the business logic and behavior of successful businesses today, their organizational and management structure and all organizational processes<sup>4</sup>. Best examples comes from Japan, which has no natural resources, but with continuous investment in hu-

<sup>3</sup> Dražen Barković: Menadžersko odlučivanje Sveučilište Josipa Jurja Strossmayera u Osijeku, Osijek 2009., page 15.

<sup>4</sup> Fikreta Bahtijarević-Šiber: Management ljudskih potencijala, Golden marketing, Zagreb, 1999, page 49.

man resources has grown into a global economic powerhouse. Economists of Brod - Posavina County are involved in a challenge and the possibility of investing in human resources, which should result in the recovery of the economy.

### **3. MANAGERIAL METHODS AND STRATEGIES OF BUSINESSMEN IN BROD - POSAVINA COUNTY**

The task of management is to find a balance between the aims of the owners, employees, political parties, unions, government. The main task of strategic management is to set planning of programs and projects that will enhance competitiveness, increase the possibility of find the correct behavior in the market conditions and provide new markets.

Strategic managers are dealing with analysis of opportunities, threats, strengths and weaknesses in order to achieve business success and competitiveness that can be reached by investing in human resources, and continuous learning must become a standard of conduct for all employees.

Next task of management is to identify trends in a society like that today's modern society has become a society of knowledge, and knowledge workers are a key resource of the modern economy, something like an significant "shareholders" of modern society. Knowledge workers are those workers who use and create new knowledge. They use their intellect to transform new ideas into new products, services, processes on solutions and improvements. Their greatest value refers to their ability to collect and analyze relevant information and make decisions for the benefit of the organization in which they work. To knowledge workers has been given great importance like function of generators of future development of the company because they can ,with their knowledge, skills, abilities, and ideas, make an important contribution to the success and development of the company<sup>5</sup>. The task of management is to retain and motivate knowledge workers.

Some businessmen in Brod - Posavina County have recognized the challenges of modern society and they are trying to find a solution of economic problems in way to plan projects and to applicate them to the sources of funding. Those activities preserve jobs and creates new jobs and at the same time takes advantages of the

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<sup>5</sup> Doc. dr. sc. Danica Bakotić: Menadžerski izazovi u funkciji vođenja Radnika znanja u suvremenim poduzećima, Ekonomska misao i praksa, No.1 lipanj2012.

SWOT analysis like well developed customizable education system, educated management, available sources of funding and successful development agencies on that area.

### **3.1 Analyses of planed and applique project in Brod - Posavina County**

One of the most important conditions for achieving greater competitiveness is the ability to control changes, a company that does not know or can quickly learn how to control changes, cannot adapt their strategic management process to deal with their influence. Changes and their influence cannot be predicted with certainty, so the only way to solve this problem is to constantly acquire changes, live with changes, respond to them, or gain the ability to incorporate the changes in professional life as a constant component<sup>6</sup>. Key role in adapting and responding to changing has a project management that has been present for decades, but only now takes a significant position in the new managerial environment and makes necessary postulate in a successful business organization which contributes to the achievement of strategic aims.

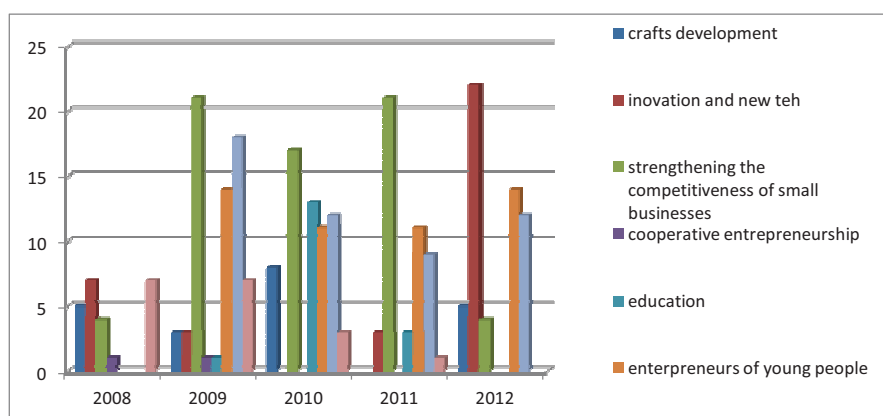
Economy of Brod-Posavina County in the last two decades has suffer a significant changes (basic industry was metal industry) but processing industry still employs the most workers which producing organizes a large number of small businesses or tradesmen.

Important role in this type of economic have development agencies in the County, County Development Agency, Centre for Technology Development (CTR) and the Regional Development Agency of Slavonski Brod Ltd which are project managers for supporting small and medium enterprises and craftsmen. Small and medium businesses led by innovative entrepreneurs ,focused on research and development, have become the main axis of development for economy and the foundation of economic competitiveness, which is closely linked with way how entrepreneurs<sup>7</sup> thinks which are developed agencies are provide by logistical support.

<sup>6</sup> Anton Hauc:Projektni menadžment i projektno poslovanje, M.E.P. Consult, Zagreb, Zagreb 2007., page 11.

<sup>7</sup> dr. Hans Ruediger Kaufmann, ,Dr. Haritini Tsangar, prof.dDr. Demetris Vrontis: Innovativeness of European SMES: Mission not yet accomplished, Ekonomska istraživanja, Vol.25 No.2 Lipanj 2012

Graph 2: Prepared and nominated projects by regions in BP County



Source : CTR Ltd

Graph 2 shows, that the largest number of projects have been aimed at strengthening the competitiveness of small businesses, followed by female entrepreneurship. We can call 2012<sup>th</sup> year, the year of planning and nomination of innovation and new technologies, and the expectations are that their effects will contribute to the recovery of the economy of the County and way out from the negative trend of falling economic activity. New knowledge is a product of the knowledge society to which we aspire, and only by using a new technologies we can respond to this challenge. It is important to note the continued presence of projects are targeted at young entrepreneurs which further directs the economy toward to recovery.

Today, successful organizations must stimulate innovation and be familiar with the skills of self-change or otherwise they will become a candidate for extinction. Winning organization will be those organizations that maintain their flexibility, which are continuously improving their quality<sup>8</sup>. Small and medium-sized enterprises have demonstrated the necessary flexibility and they are becoming an increasingly important factor in the economy BPC.

### 3.2 Analysis of the performance of entrepreneurs regarding to the planned projects

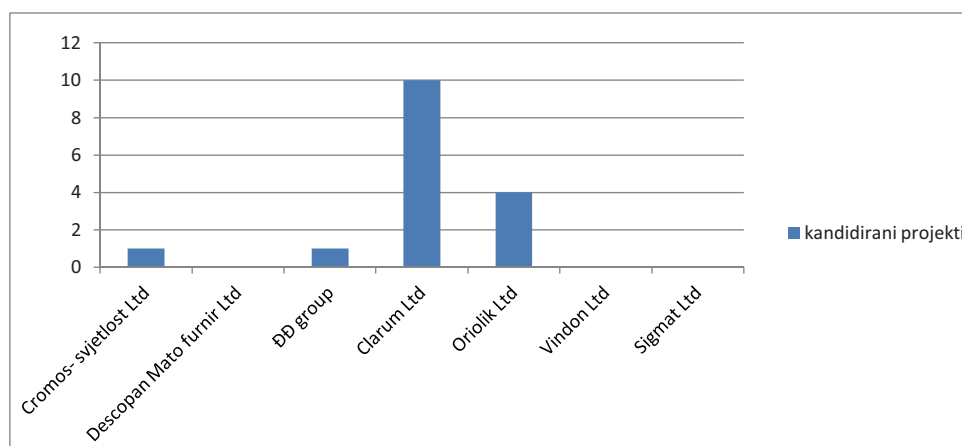
The success of entrepreneurs can be observed by comparing their gross profits, total profits, profits by the annual accounts in calendar year, or to rank them

<sup>8</sup> Stephen P. Robins, Timothy A. Judge: Organizacijsko ponašanje, Mate d.o.o., Zagreb 2009., page 23.



according to the number of employees. Task of indicators is, as part of strategic planning, to monitor achievement of strategic aims. Strategic aims in economic development board of Brod – Posavina County is to increase employment rates, reduce the trade deficit and the coverage of imports by exports. If we observe the statistical reports of most successful companies in the County in the areas of small, medium and large businesses, we can notice that certain companies are among the best in different categories of success according to the annual accounts. Among the most successful companies in the period 2008 to 2011 are the group companies Đuro Đakovic which achieve the highest revenue; Cromos-svjetlost - company that continually shows positive total revenue among medium businesses; Clarum Ltd.- belongs to the group of small businesses that show profits based on annual accounts; Oriolik Ltd. as a medium-sized enterprise which continuously employs important number of workers as well as Descpan Mato frontage Ltd. SIGMAT Ltd is a small company that has been continuously in the top in category of small businesses after realizing the gain based on the final bill.

**Graph3:** Successful companies which have been using services of developing agencies



It is evident from the graph that the successful business have been declare of companies that have their own project management for example the ĐĐ group or companies which, because of its size and organizational structure, using services of the project management of development agencies. Great interest in the planning, preparation and running of projects has shown from crafts and non-profit sectors as well as youth and female whose logistical support of project management is required to achieve vision of their company, and that will contribute to achieve

the vision that brings ROP: to be focused on reducing unemployment and to raise living standards through the promotion of economic activities which are based on the sustainable use of natural resources and tradition of partnership and on the intersectoral relations.

#### 4. CONCLUSION

Economists of Brod-Posavina County small, medium, large and craftsmen are working in an environment of constant change which is necessary to manage, and the best way to do this is the existence of flexible strategic management, human resources management and project management, which is the task to plan and manage projects to achieve the planned objectives.

In the County operates a significant number of business owners who are not able to form their own management teams which is, in the future, necessary to provide quality support of development agencies for small business so they can be able to follow global trends in the world economy. Previous experience in planning and managing projects have gave the desired results in the companies and trades whose operations managers had a vision which has to be implemented through projects.

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