

METHOD OF BUSINESS ORGANIZATION IN BOSNIAN AND HERZEGOVINIAN COMPANIES

Kenan Spaho¹

¹International Forum Bosnia, Sarajevo, Bosnia and Herzegovina, kspaho@utic.net.ba

Abstract

Business organization can be based on science or empirical method. Science method is based on organization models and definitions from literature and empirical method is based on experience in doing business. We will research which method is used in Bosnia and Herzegovina companies. Our research objects were four companies which are temporarily the best in Bosnia and Herzegovina, Energoinvest dd Sarajevo, Energoinvest SUE, Energoinvest TDS, Butmir d.o.o. Our goal is to investigate all elements defined in this model. If those elements are in accordance with definitions and models from literature it means that business organization is based on science method. Company who follow science method can be considered as serious company and important actors on EU market in process of European integrations.

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1. INTRODUCTION

Process of European integrations is irretrievable and unstoppable process. The key motive of integration is economical and business progress on the EU market and cooperation with EU companies. Although the process is slow and it will pass long time till the integration process will have been finished companies must start its preparations for joining EU market now. In this paper we will focus on one aspect of preparation, business organization. Organization can be based on science method or empirical method. Science method is based on models and definitions from literature and empirical method is based on experience. We will research which method is used in Bosnia and Herzegovina companies. Our research objects will be four companies which are temporarily the best in Bosnia and Herzegovina, **Energoinvest dd Sarajevo, Energoinvest SUE, Energoinvest TDS, Butmir d.o.o..**

The research will be done on base of 7s model. Our goal is to analyze all elements defined in the model. Since the elements are categorized as hard (Strategy, Structure, Systems) and soft elements (Shared Values, Style, Staff, Skills) (http://www.mindtools.com/pages/article/newSTR_91.htm, date of access 15.01.2009). If those elements are in accordance with definitions and models from literature it means that business organization is based on science method. Company who follow science method can be considered as serious company, which can be part of EU business, nevertheless as an actor on EU market or as partner of EU companies on the market of third countries.

2. 7S MODEL

7S model consists of 7 elements which are interdependent and categorized as "hard" and "soft" elements. The difference between hard and soft elements is that hard elements are easier to define and management can easily influence on them and soft elements are difficult to describe and depend on culture of company (http://www.mindtools.com/pages/article/newSTR_91.htm, date of access 15.01.2009).

2.1. Strategy

Business strategy is the process of defining the medium to long – term objectives of a business and how it seeks to achieve these objectives (Harris: 1999, p. 228). Here we will focus on marketing strategies using Porter generic strategies, **cost leadership**, **product differentiation** and **focus strategy** as it is shown in Table 1.

Table1: Porter generic strategies

COST LEADERSHIP	It means to be the cheapest producer in the market
PRODUCT DIFFERENTIATION	It means creating consumer perception of difference between similar products
FOCUS STRATEGY	It means concentrating on small segment of the market which others have neglected

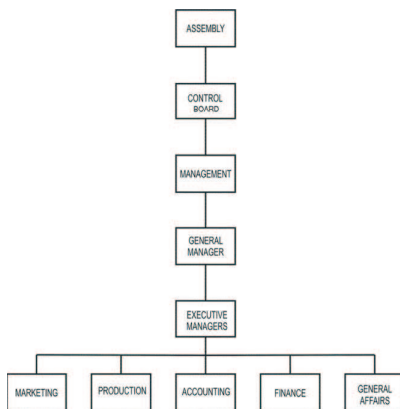
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2.2. Structure

Structure is the way how company is organized. European business science differ several organization structure models:

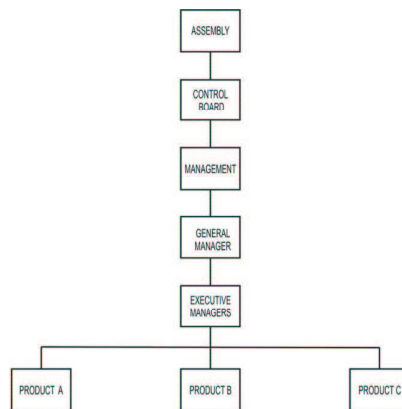
- **Organization by function (Figure 1)** means that all functions in company are clearly defined and organized into departments in order to achieve company's goals (Harris, 1999).
- **Organization by product (Figure 2)** means that company is organized on the basis of products with separate division for each product (Harris, 1999).
- **Organization by territory (Figure 3)** means that company is organized on the basis of region markets where company is present (Harris, 1999).
- **Conglomerate organization by company (Figure 4)** is similar to organization by Strategic Business Unit (SBU). It means several small companies which are set into one big company. Every SBU must have mission and vision, its own competition, own business plans different of other SBU, to manage own resources, to be right size (not too small, not too big) (Weihrich, Koontz, 1998).
- **Matrix organization (Figure 5)** is combination of functional and project organization. In this organization responsibility is divided between functional and project units (Žaja, 1993).

Figure 1: Organization by function



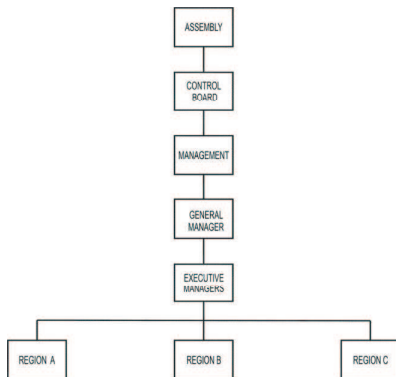
Source: Hadžiahmetović et al, 2008

Figure 2: Organization by product



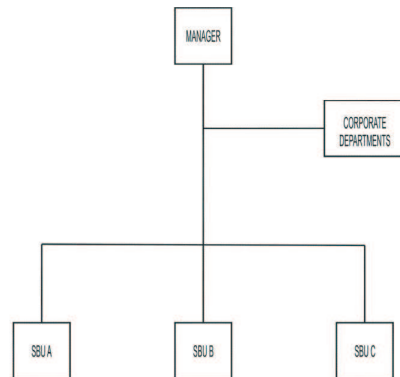
Source: Hadžiahmetović et al, 2008

Figure 3: Organization by territory



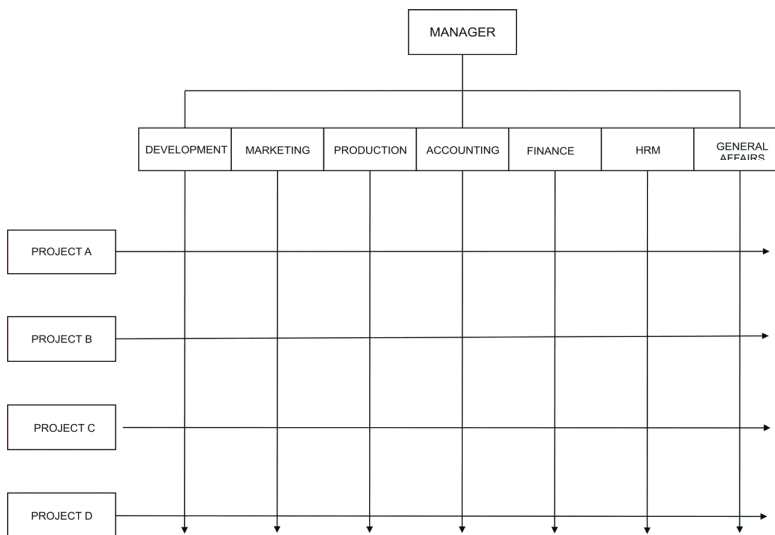
Source: Hadžiahmetović et al, 2008

Figure 4: Organization by territory



Source: Sikavica, 1991

Figure 5: Matrix organization



Source: Žaja, 1993: 152

2.3. Systems

Systems are daily activities and procedure engaged by staff in order to do the job. In 21st century every company must have established **information system**, **quality management system** and **control system**.

Information system is set of components doing process of acquisition, storage, processing and distributing data to its users. **Computer based information system** is information system which use computer, in other words information technology in order to execute planned tasks in data processing (Bajgoric, 2003).

Quality management system (ISO 8402:1994) is organization structure, procedures, processes and resources necessary for quality management (Heleta, 2004: 91).

Quality management system (ISO 9000:2000) is system that from the attitude of quality leads organization as well as manages with it (Heleta, 2004: 91).

Control system includes three kinds of control: **marketing control, operating control, and strategic control** (Kotler et al, 2001: 103).

- **Marketing control** is the process of measuring and evaluating marketing strategies and plans and taking corrective action to ensure the achievement of marketing objectives (Kotler et al, 2001: 103).
- **Operating control** involves checking ongoing performance against the annual plan and taking corrective action if necessary. Its purpose is to ensure that the company achieves the sales, profits, and other goals set out in annual plan. It also involves determining profitability of different products, territories, markets and channels (Kotler et al, 2001: 103).
- **Strategic control** involves looking at whether the company's basic strategies match its opportunities and strengths (Kotler et al, 2001: 103).

2.4. Shared values

Shared values include clearly defined and documented key values on which company exist. The business experience shows that shared values are defined in quality management system as policy of quality and goals of quality.

2.5. Style

Term style means the style of leadership which is adopted in company. Our research will be based on Rensis Likert model of leadership. This model is based on four management systems (Wehrich, Koontz, 1998) shown in table below:

Table 2; Likert four systems of leadership

SYSTEM 1	Leadership is autocratic with low confidence at employees and motivation based on threats and punishments.
SYSTEM 2	Leadership is based on low confidence at employees and motivation based on prizes, rarely on threats and punishments
SYSTEM 3	Leadership is based on big but not complete trust in employees using their opinion. Motivation is based on prizes, partly on participation and rarely on threats and punishments
SYSTEM 4	Leadership is based on complete confidence in employees using their ideas and opinions. Motivation is based on economical prizes depending on advancement in achieving goals.

Source: Done by author

2.6. Staff

Staffs are the employees and their capabilities for doing business. Here we will focus on human resource management. We will insist on two models, Rodger's plan (Alec Rodger) and Fraser's (John Munro Fraser) (Table 3).

2.7. Skills

Skills are actual skills and competencies of the employees working for the company. In our research we will insist on technical and commercial skills and its improvement.

Table 3: HRM models frequently used

The seven point plan
Physical make-up: health, appearance, bearing and speech Attainments: education, qualifications, experience General intelligence: intellectual capacity Special aptitudes: mechanical, manual dexterity, facility in use of words and figures Interests: intellectual, practical, constructional, physically, active, social, artistic Disposition: acceptability, influence over others, steadiness, dependability, self-reliance Circumstances: any special demands of the job, such as ability to work unsocial hours, travel abroad, etc
The five-fold grading system
Impact on others: physical make-up, appearance, speech and manner

Acquired qualifications: education, vocational training, work experience
 Innate abilities: quickness, of comprehension, aptitude for learning
 Motivation: individual goals, consistency and determination in following them, success rate
 Adjustments: emotional stability, ability to stand up to stress, ability to get on with people.

Source: Weightman Jane, 2004: 106

3. OBJECTS OF RESEARCH

Objects of research are four companies: **Energoinvest dd Sarajevo, Energoinvest SUE, Energoinvest TDS and BUTMIR d.o.o.** Table below shows some details about these companies.

Table 4: Objects of research

ENERGOINVEST DD	One of the most successful and well-respected engineering company with dominant export orientation with the scope of activities in the fields of design and realization of complex plants in the country and abroad.
ENERGOINVEST SUE	Business partner of several European companies such as SONNENSCHNEIDER (now EXIDE GmbH), BENNING, EATON/POWERWARE, FG WILSON, doing business in system engineering what includes complete project on turn-key basis.
ENERGOINVEST TDS	Privatised in 2003. The product range of ENERGOINVEST TDS includes commonly products and services such as transmission line powers, telecommunication towers, hot – dip galvanizing and steel treatment. TDS is present on market from all over the world. We will mention here Croatia, Kosovo, Montenegro, Iraq, Indonesia etc.
BUTMIR D.O.O	Founded in the year 1990 as a private company. The basic activity of “BUTMIR” is making blue prints (i.e. planning of buildings etc.), construction work and engineering. “BUTMIR” d.o.o. has a very good cooperation with many domestic and foreign suppliers of building materials and equipment and quite naturally, with many certified laboratories and institutions in the realm of construction work.

Source: Done by author

4. SEARCH RESULTS AND RECOMMENDATIONS

Strategy. Two companies follow focus strategy, one cost leadership strategy and one company both strategies. No company follows product differentiation strategy. Our recommendation to companies is to work on this strategy because on EU market they will have to offer some new products.

Structure. One company applies combination of SBU model and matrix model of organization, two companies applies functional model and one company applies combination of functional and matrix model.

Systems. All four companies have installed computer based information system. One company has established integrated management system of quality, two companies have ISO 9000 and one company does not have quality management system. Two companies have complete control system two companies do not have. One company does not apply marketing control and one company does not apply strategic control. Since in EU business is actual TQM model for quality management our recommendation for all companies is to work on establishing this model. Strategic and marketing control is necessary because only marketing oriented company will be important partner on EU market. **Also, existence of quality management system means having clearly defined shared values.**

Style. One company follows System 2, two companies follow System 3 and one company follow combination of System 3 and System 4 what means that adopted styles are completely based on science method and leadership style is more democratic then autocratic.

Staff. No company has clearly defined HRM policy. The model for recruiting new employees is closed to five – gold grading system in all companies but not completely and officially defined. Only with clearly defined HRM policy companies are able to respond to challenges in international business. Otherwise it will be serious consequences. **Clearly defined HRM policy means doing on improvement of all necessary skills of employees.**

As we mentioned above process of EU integrations is slow so BH companies have enough time for changes mentioned above. With that changes BH companies will be serious partner in EU business and to EU companies.

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