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SMALL AND MEDIUM ENTERPRISES IN SERBIA IN THE ERA OF GLOBALISATION

Abstract

This work focuses on the development of small and medium enterprises (SME) in Serbia and the effect globalization has on its growth, as well as correlation between the development of small and medium enterprises (SME) and commerce rise. The goal is to improve and create national conscience about the importance of development of the small and medium enterprises (SME).

Small and medium enterprises (SME) are considered to be one of the leading guidelines of the economical growth. It stimulates private ownership and entrepreneurship skills, since this area is flexible and can quickly adjust to market changes. This is generated by employment, creation of diversified economical activity and contributes to export and trade and is the basic factors of development of competitive economy.

It is obvious that the internationalization and creating global network of small and medium enterprises (SME) presents the focus for future research of development of entrepreneurship in the EU. Innovative capacities for small and medium enterprises (SME) are modest and usually represent local values. By creating international networks the obvious misbalanced between potential partners disappears, by which we open the possibilities for greater achievements and successful international partnership which provides small and medium enterprises (SME) with bigger chances in the EU system of public procurement.

In contemporary conditions small and medium enterprises (SME) represent the combination of the innovative, proactive and risky behavior which exceeds national borders and tends to create certain values in the organizations, since they appear more often as the suppliers in the big production systems.

Development of privately owned entrepreneurship in Serbia – country born from one of the Yugoslavia ex republics, in the present transitional economy does not differs much from the other countries in the Southeastern Europe.

As society we are at the historical milestone in determining our own future. So the key question is: how can we set the concept of future development which would lead us to higher productivity of our companies, their inner and outer competitiveness by using entrepreneurship and knowledge as the most important resources. In the last few years, there has been a vast group of activities in the line of developing business environment in Serbia. SME is recognized as one of the major growth priorities. In that sense, we can say that their perspective is quite certain. We only have to bear in mind that this is a process which in many aspects requires a certain period of time.

Key words: *Small and medium enterprises, entrepreneurship, globalization, commerce growth*

JEL Classification: L23, L25, F60

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МАЛА И СРЕДЊА ПРЕДУЗЕЋА У СРБИЈИ У ЕРИ ГЛОБАЛИЗАЦИЈЕ

Апстракт

У раду је изложен развој малих и средњих предузећа (МСП) у Србији и утицај глобализације на развој МСП, као и корелација развоја малих и средњих предузећа (МСП) и привредног развоја, са циљем унапређења и развоја националне свести о значају развоја малих и средњих предузећа (МСП). Мала и средња предузећа (МСП) се сматрају једном од водећих снага економског развоја. Она стимулишу приватно власништво и предузетничке способности, она су флексибилна и могу се брзо прилагођавати променама на тржишту. Генеришу запосленост, стварају диверсификовану економску активност и доприносе извозу и трговини и основни су чиниоци развоја конкурентске економије. Очигледно је да интернационализација и стварање глобалних мрежа малих и средњих предузећа (МСП) представља фокус будућих истраживања развоја предузетништва у ЕУ. Иновативни капацитети малих и средњих предузећа (МСП) су скромни и најчешће представљају локалне вредности. Стварањем интернационалних мрежа евидентна асиметрија међу потенцијалним партнерима нестаје, чиме се стварају могућности за веће подухвате и успешно интернационално партнерство што малим и средњим предузећима даје веће шансе у систему јавних набавки у оквиру ЕУ. У савременим условима мала и средња предузећа (МСП) представљају комбинацију иновативног, проактивног и ризичног понашања које прелази националне границе и тежи да креира вредност у организацијама, с обзиром да се све више јављају као добављачи великим производним системима. Развој приватног предузетништва у Србији једној од држава насталих распадом Југославије, у транзиционој економији битно се не разликује од других земаља из окружења у Југоисточној Европи. Као друштво налазимо се на пресудној прекретници одређивања властите будућности. Зато је кључно питање: како поставити концепт будућих развоја који треба да нас доведе до веће ефикасности наших предузећа, њихове унутрашње и спољне конкурентности користећи предузетништво и знање као кључни ресурс. Последњих година покретан је читав фронт активности на унапређивању пословног амбијента у Србији. МСПП су препознате као један од развојних приоритета. У том контексту, може се рећи да је њихова перспектива прилично извесна. Треба само имати у виду да се ради о процесу који у многим аспектима захтева одређени период.

Кључне речи: Мала и средња предузећа, предузетништво, глобализација, привредни развој

Intorduction review

Commerce growth of one country does not consist only of the existence of big enterprises, but from the right combination of small, medium and big enterprises. Small enterprises can adapt with new technologies the easiest way in order to fill market voids. They swiftly acquire proper solutions than the big enterprises. Size of the small enterprises in relation to the big gigantic corporations' shows clearly in the shorter time span for implementing decisions, faster decision periods, market closeness and motivation. Small enterprises in the developed countries are the source of commerce

growth. These enterprises produce the significant part almost half of it of the entire range of offered products and services. Small enterprises, however poses certain qualities, i.e. they provide jobs, implement innovations, stimulate competition, help big enterprises and efficiently produce products and provide services. Small enterprises work as the suppliers for the big enterprises.

World trade globalization trend is undoubtedly connected with enterprise existence, including the growth of small and medium enterprises. Small and medium enterprises are very successful way of preparing for “upcoming” financial and intellectual capital arriving outside of the beneficiary country. In the last decade we have witnessed great political turmoil and technology boundaries. Today small and medium enterprises in its form are present in practice in every country. It is especially specific for many developed economies. Development of the small and medium enterprises and so called middle class act should be treated with greater attention. This helps enterprises to resist market requests which are enforced by big and strong participants-players.

Turbulent business environment is the main characteristics of the last decade of the second millennium, which creates challenges for big as well as to small organizations. Past market position protection which the big economy uses to provide is no longer available by the arrival of new technologies, so the big enterprises have to find the ways to decrease and simplify various activities to smaller independent enterprises. Small enterprises thus don't have the global range so much needed in this time of global competition, where even a family shop at the corner is overwhelmed by the competition from all over the world.

Business concept of the small and medium enterprises has been rapidly growing in the last decade to all worldwide markets. Desire of the entrepreneurs for expanding business operations and creating bigger profit, has made them to consider strategies fro approaching other markets.

Observing business ethics and practical implementation, small and medium enterprises (SME) become one of the alternative possibilities which contribute to development and success. Principle advantage and weaknesses of the small and medium enterprises have to be well known in order to use the maximum from this form of entrepreneurs union.

Past years have devastated the capital of socially owned companies up to the level that the losses extend the value up to two or three times the value of the company itself and any prolonging of the privatization process can have terrible consequences for the further development of the Serbian commerce. Nothing is as important as the time, which doesn't play for us and only the swift and diversified action towards the competitiveness of the Serbian commerce can help us recover. Small and medium enterprises will certainly play an important role in achieving the set goals.

Growth of the enterpreneurs and small business in serbia

Various researches show that Europeans in general tend to work in a company rather than to start their own business². This characteristic is especially obvious in post communist countries in which the long term laidback work tempo in socially owned companies was dominant and normal behavior stance for citizens of these countries³.

² Jones, V.M., Nummela, N., (2008) International Entrepreneurship: Expanding the domain and extending our research questions, *European Management Journal*, 26: 349–353.

³ Jiangyong Lu, Zhigang Tao, (2008) Factors of entrepreneurial activities in China, *Journal of*

In the conditions of the transition economy which all post communist countries go through (Poland, Check Republic, Slovakia, Hungary, Romania, Bulgaria, ex Yugoslav republics, ex Soviet countries and China), with dominance of state ownership, new so called "entrepreneurs", generally had the experience in the companies with various ownership forms. Decision to become an entrepreneur usually means that they have to negate the position in some of the state owned companies and start private business with uncertain legal status⁴. Forming European Union (EU), boundaries have been broken and harmonization of relations is broken on the market of 450 million consumers. Creating friendly environment has a key significance for starting and developing private ownership. Council of Europe has adopted "a book of small enterprises" in order to help providing recommendations for private ownership development⁵.

Finalizing privatization of the big enterprises in post communist countries in Europe (similar situation is in China and ex Soviet countries) which has been performed in many cases on the verge of the law with leading men in privatization close to the new political structures. At the beginning of 21 century during the phase of creating new economical order, various new entrepreneurship undertaking arises. These entrepreneurship undertakings of creating new private ownerships are followed by numerous difficulties, most important as: lack of knowledge and initial financial funds. Wish to create private business has only small number of people (45% Europeans want to have their own business, in regards to 67% of people in the USA). Only 4,5% citizens of the EU tried to start their own business in the last three years which is different than the 13 % in USA⁶. These percentages are far lower in post communist countries in Europe, and it indicates that the goal in the entrepreneurship growth is a far fetch thing. The ability for creating business must include leadership skills, creativity and persistence, as well as few managerial qualities such as creativity and credibility.

In modern conditions, small and medium enterprises present combination between innovative, proactive and risky behavior which exceeds national boundaries and tends to create the certain value in the organizations, since they work more and more as the suppliers to big systems⁷. It is obvious that internationalization and creating global networks of small and medium enterprises is the focus of the future research of entrepreneurship development in the EU. Innovative concept of small and medium enterprises is modest and usually represents only local values. By creating international networks we can see the obvious asymmetry between potential partners disappears and therefore create bigger accomplishments and successful international partnership⁸ which gives small and medium enterprises greater chances in the sector of public acquisition of EU.

In the table below (*table 1. Serbia is ranked according to World Bank criteria*) we can see the negative tendencies of the economic indicators in Serbia, which we have to take into account for creating future commerce-economy development politics for this country.

Business Venturing, (Article in press- doi: 10.1016/j.busvent.2008.10.005).

⁴ McMillan, J., Woodruff, C., (2002) The central role of entrepreneurs of transition economics, *Journal of Economic Perspectives*, 16(3): 153-170.

⁵ Jones and Nummela, 2008; European Commission, 2005.

⁶ Jones, V.M., Nummela, N., (2008) International Entrepreneurship: Expanding the domain and extending our research questions, *European Management Journal*, 26: 349 – 353.

⁷ McDougall and Oviatt, 2000.

⁸ Coveillo, 2006; Chetty and Anddal, 2007.

Table 1: Serbia is ranked according to World Bank criteria

Description	Rank 2006.	Rank 2007.	Change Rank
Total	84	86	-2
Establishment of companies	84	90	-6
Operations that require a permit	148	149	-1
Employing workers	109	110	-1
Registering property	110	115	-5
Getting Credit	21	13	+8
Investor Protection	62	64	-2
Paying Taxes	117	121	-4
Cross-border trade	54	58	-4
Enforcing contracts	99	101	-2
Closing a Business	106	103	+3

Source: The World Bank, Doing Business 2008, Washington, 2007.

In the table no.2 (*Number of the enterprises in Serbia, classified by size - without Kosovo and Metohija*) we can see the number of companies in Serbia, classified by size (without Kosovo and Metohija) where we can see the development of private entrepreneurship in Serbia as one of the ex Yugoslav countries, that in transitional economy it does not differ that much from other region South East European countries. Since the commerce reform began in the year 2001 until today number of 400.000 small and medium enterprises in Serbia have over 1.200.000 employees. Every third privately owned company is located in Belgrade, with more than other half located in four regions: Belgrade, Novi Sad, Nis and south Banat. More than 40% privately owned enterprises consist of wholesale and retail, which with downstream industry, transportation makes more than 2/3 enterprises. There is a very small number of export oriented enterprises. In East Serbia – region of Timok (region of Bor and Zajecar) at the border triangle with Bulgaria and Romania, there are 7500 small and medium enterprises registered which have around 65.000 employees. This region is pretty devastated and only participates with 2,5% GDP of Serbia. Structure of the listed enterprises is the following: 44% services, 31% trade, production 18% and agriculture 7%.

Table 2: Number of the enterprises in Serbia, classified by size - without Kosovo and Metohija ⁹

Year	Small		Medium		High		Total	
	Number	%	Number	%	Number	%	Number	%
1999	58.662	94.8	2.359	3.8	879	1.4	61.871	100
2000	59.106	94.3	2.616	4.2	973	1.5	62.695	100
2002	63.995	95.6	2.223	3.3	742	1.1	66.961	100
2003	65.547	95.8	2.181	3.2	663	1	68.391	100
2004	66.989	96.9	1.515	2.2	605	0.9	69.109	100
2005	68.309	95.8	2.292	3.2	702	1	71.303	100
2006	73.382	96	2.347	3.1	665	0.9	75.394	100
2007	80.939	96.23	2.572	3	598	0.7	84.109	100
2008	83.939	96.36	2.572	2.95	598	0.68	87.109	100

Source: Serbian Chamber of Commerce

⁹ Statistical Yearbook of RS

Table no.3 (*Structure changes in commerce of Serbia 2005-2012.*) shows the structure of our commerce and changes things to be expected, which can help us in making a concept for creating future economic politics.

Table 3: Structure changes in commerce of Serbia 2005-2012.

	2000.	2005.	2012.
Food products, beverages and tobacco	28,7	31,9	31,3
Textiles and textile products	9,5	4,1	3,7
Leather and leather products	1,6	1,1	1,1
Wood processing	1,1	1,0	0,5
Paper and publishing	4,9	5,7	4,9
Coke and refined petroleum	1,5	12,3	12,7
Chemistry	12,6	12,3	12,7
Rubber & Plastics	4,8	4,4	5,0
Non-metallic minerals	7,3	5,2	4,8
Metals	11,9	12,7	12,0
Machinery and equipment	4,1	6,7	8,0
Electrical and optical equipment	3,9	4,3	5,0
Vehicles	5,1	3,6	5,0
Other industry	2,8	2,3	2,0

Source: “National Strategy for Economic Development of Serbia 2006-2012.”, Belgrade, 2006., pp. 15.

By carefully analyzing the table above (table no.3) we can see dominant influence of food industry in the structure of Serbia economics that is understandable considering possibilities and growth chances for industrial-food sector as the underdeveloped sector. Entrepreneurs in all sectors indicate that time is needed for starting privately owned business in Serbia, in average 105 days, costing around 620 Euro.

Entrepreneurs indicate the problems as follows: lack of affordable credits, complicated start up procedures, administrative problems, exchange rate, etc. For more than ten years transition in ex Soviet republics clearly shows that the market is more efficient coordinator of economical activities than having administrative mediation in sector. Efficient market needs competition, i.e. competitive commerce structure, so the main point of the socialistic reconstruction was increasing outer and inner competition, i.e. opening towards outer markets and also creating mass of new competitors. SME mostly at the local level significantly contributes to its market growth and generating new jobs. So from the aspect of local community development SME plays an important role and justifies efforts to stimulate its growth and development. Efforts that are put in these activities relate to creating institutions and funds, specialized for working with SME, such as: regional/local agencies/development centers for SME.

Direct role and importance of SME sector in social life of every country can be seen through:

1. Fulfilling market needs through different commerce segments:
 - In normal circumstances SME fills the void on the market, which is not interesting for big companies, but at the same time opens new market

segments with their innovations.

- When big enterprises meet on the verge of their growth in fulfilling social needs, SME takes over the part of their business (for example: creating cluster of big companies, etc)
- During the recession big enterprises almost cease to exist and then SME plays the leading role of how to survive in society (for example: in transitional period, etc)

2. Innovative P/U with entrepreneurs oriented towards SME,¹⁰ shows that they often change daily work routines of the people and their lives. These new and innovative SME provides to the world commerce the *vitality* which is much needed.

3. Entrepreneurs are the people who provide through their SME process of *creating new jobs*, in the only possible way: recognizing society needs and upgrading their resources from the lower productivities to upper productivity.

4. SME, together with tax and other mechanisms (sponsors, donors), becomes *financing source* and in that way spreads among social communities.

5. SME represents *the most desirable form of disengaging planned commerce system*. It is characteristic for the commerce transition period that the most of the subjects in state owned ownership are being shut down, cut down into few smaller enterprises or being sold, with clear ownership status. But also, through creating larger number of SME it is possible to reconstruct national economy.

6. With SME it is possible to provide *faster regional interaction*, within the state as well as between other countries. This especially gets recognized by pushing SME to better global market appearance.¹¹

Character and essence of the necessary changes in Serbia can be defined as – new entrepreneurship society or:

- Society whose values (enterprises and entrepreneurship) and their combination are in the constant process in creating wealth and jobs,
- Society which entirely supports and encourages taking risks,
- Society which creates new entrepreneurship vacancies in all areas, without discriminating ‘ new ‘ and ‘ old ‘ economy,
- Society which identifies new talents in the enterprises to get into the adventure of entrepreneurship creation

Swift changes happening in the world with fast reaction to changes is the key of success and economy politics as:

- Support to entrepreneurship activities;
- Creating environment which is positive to innovation and changes;
- Ensuring the market for successful products and services.

Problems with developing every social community by its complexion and volume vastly exceed government capacity and their institutions. Modern concept of sustainable growth requires much bigger participation of other risk factors like business community, citizens and their organization.

¹⁰ Remark: Not every SME is oriented towards entrepreneurship. Numerous statistics show that the world average of entrepreneurship oriented people in each population is 3- 5 %.

¹¹ Group of authors (2002) Analyzing and developing small and medium enterprises in Serbia, Op. quo., pg. 2.

Experience in promoting sme and entrepreneurship in region and transition countries

Small and medium enterprises (SME) are considered as one of the leading powers to economical growth. They stimulate private property and entrepreneurship skills; they are flexible and can adjust swiftly to market changes. They generate employment, create diversify economical activity and contribute to export and trade and are the basic factors to developing competitive economy.

USA

USA, country which upgraded the support to SME on the highest level, creating cooperation of all three state sectors, but at the same time providing space for functioning of social entrepreneurship and creating USA as the picture perfect example for Serbia. However, as with other analyzed countries we have to take into consideration specific characteristics of the non-financial help to SME sector and its growth. So in the USA, besides big support of the *Government and local institutions*, in the law and finances area, great support is also provided by big companies regarding space, clustering, market and finance. Besides that Serbia like the USA could give *universities* a more active role in the growth of this sector with space, knowledge, transfer of technology and other education means. Similar as the universities, non-financial support in Serbia, as per USA sample we could involve *I&R institutions*, whose basic activity is producing new knowledge's, so necessary for the commerce. Finally, *tehnopolises* all around USA contribute to this fact and show that this is a significant part of non-financial support to SME sector.

Japan

Similar to USA, Japan has seriously developed system of non financial support to SME sector and managed to sustain entrepreneurship economy. *State* has in its legal frames, created and developed a non stop and key support. Japan's role in the national SME strategy called *JASMEC* is very beneficial for Serbia, since their approach can be implemented in Serbia system. During daily trainings, SME people were present and besides them few state officials, i.e. people outside the business, which have their role in this and assist the whole process. In this way, they start to get to know each other and understand each others problems. Japan has also created numerous smaller *I&R institutions*, which provide support for SME in finding innovations as the key factor of competitiveness. Besides that, famous all over the world are clusters in car industry as the clear example of *small* and *medium* enterprises. Based on positive experiences of such unions, there have been formed smaller SME industrial groups which between themselves work together and operate with certain individual ideas of group members, as well as they are open to outside suggestions. *Regional advices for investments promotion, business incubators with secured sales places*, as well as the *network of on-line available business consultants* which complete the picture of institution development for non financial support for SME sector in Japan, i.e. with the possibility of their implementation in Serbia.

EU

Importance of the experience of EU countries and at the most with EU15, the significance of developed united Europe, which Serbia took as its goal destination. Besides the fact that EU has been for a long time on purpose limiting private initiative and adjusting it to their legal frames. In the past few years there have been serious efforts to achieve the goals of creating entrepreneurship society and culture, as the basics for

society welfare. According to this, developed non financial SME institution gets the true meaning of its existence and gets the first results. *Annual programs for SME development* are resulting with progress all over the countries EU15 and now even bigger with EU27. Their experiences with developing *network RAMSPP*, would also give positive results, since SME receives support at the right moment and the right place and not in centralized and bureaucracy institutions. Development of *Information service for I&R community*, has advanced the work of I&R institution all over EU15, since there has been wide spread offer and demand for services. *Learning entrepreneurship* has been set as the task for EU members to achieve, implementing it in their education systems so that young generations can be raised in the spirit of creativity, competition and entrepreneurship. *Network of European enterprises* is a higher level of institution which connects SME with EU institutions and improves cooperation with foreign countries and innovations. *Science-technology parks* are the main holders of region development all over EU, so therefore we can conclude to be quite necessary for Serbia too.

Hungary

Hungary, neighboring country that has passed the entire process of entering EU, can surely contribute with its experience to development of non financial institutional support of SME sector in Serbia. It is a typical example of country from former “east” block which has relatively successfully passed transitional period by harmonizing legislation, creating institutions and reconstructing commerce. At the beginning of transition Hungary has passed first and later second *SME Law* in which it is regulated position and support to the sector. Parallel with these development programs, a national development program has also been created that directly addresses this sector. Afterwards, Hungary has formed *Regional development holding* as an institution, with its network spreading all over Hungary, specialized in supporting innovative SME. One of the priority tasks of the Holding is to professionally, precisely and accurately secure flow of information relating to regional and entrepreneurship development through National and EU contests. Network HDNG is actually *Hungarian development network group* that participates in all developing programs for entrepreneurship all over Hungary and the fact that entrepreneurship centers and their owners are the heart of this project, promises long-lasting future to these institutions and positive example to similar institutions in Serbia.

Slovenia

Slovenian experience is very special for Serbia, since its history before becoming a country and its transition experience is of vital importance for EU and all ex Yugoslav republics. Many of them can be seen through recent activities such as: founding and existing of Regional agencies for SME development and entrepreneurship, consulting, etc. Raising SME capacity can be seen in Slovenian experience through *voucher consultation*, though we can see the usage of free expertise support from the consultants. Slovenian experiences in reconstruction of commerce sector can be of great significance in order to form Professional-entrepreneurship chamber that would have a role in informing, educating, issuing “craftsmen letter”, etc. We can also learn from few interesting experiences of individual *business incubators* that have a tendency in growing into technological parks.

Croatia

In regards to Slovenia, like other ex Yugoslav republics, Croatia had a few years of war that additionally weakened and prolonged transitional period. However, besides that Croatia

has managed to receive a status of the country candidate in order to join EU, but only if they pass stabilization process. For our research it is very important to learn from their SME experiences, i.e. system of creating relevant institutional environment. Croatia has done a lot regarding legislation *issues*, so the relevant *Law on trade communities* – harmonized with EU legislation, as well as *Law on turnover*, where all craftsmanship chambers are defined. Besides that, basic law for regulating this sector is considered to be *Law on developing small commerce sector*, based on which they create programs for other operational plans and sector growth. Characteristics of the plans are that they operate on annual level and besides the projects they also contain list of executors and full budgets. On short term level, it would be interesting for Serbia to also implement experience of HAMAG, relating to *consulting network* on national level, in order to support development of the sector. On the long term level it is for sure that the experience of Croatian *free zones* is very interesting for Serbia, which has few difficulties in operating and functioning, while Croatia has already developed functional webs of these institutions.

Countries in transition (constitutional legal act)

In comparison to other countries in transition, Republic of Serbia has started its reforms later than others, baring in mind all troubles it had during the Nineties. Period from 2001. to 2006. reflects the implementation of numerous reforms, introduction of macro economical stability and sustainable and stabile commerce growth, restriction of big systems, privatization of the companies and beginning of EU union that includes numerous legal adjustments in the sectors of commerce and society. Basic goals of the economy politics were sustaining macroeconomic stability, with performing high rate commerce growth (average rate of GDP for the period of 2001. to 2005. year were 5,2 %). Production activity for the period after the year 2000. was performed with positive attitude of economic transition and reforms of tax system, employment market and social sector. Exchange rate of national currency Dinar is stabile with constant growth of foreign currency reserves, a significant deregulation and prices and foreign trade linearization was made, together with international financial institutions. A significant progress was made in structural reforms, especially in companies' privatization and consolidation of banking system. There were 350 system laws passed which support structural reforms.

Forming the Agency for development of small and medium enterprises at the level of Republic Serbia in June 2001. and spreading agency network all around the country, adopting The Strategy of developing small and medium enterprises and entrepreneurship as well as the Law on guarantee funding has formed institutional foundation for the faster growth of SME.

Most of the countries in transition have accepted SME as the essential part of economical reforms (Check Republic, Hungary, Poland, Slovakia and Slovenia). Transition towards market economy has the strong correlation towards developed private sector especially with SME that plays the main part in the reform process. Recent activities of these countries show that:

- SME is the generator of economical growth
- SME was the crucial element of industrial reconstructing, which can be confirmed in the early stage of economical transformation
- Even tough many countries in transition consider development of SME as and important element in the reform process, governments would rather deal with privatization issues than with SME and entrepreneurship.
- Countries in transition don't have solved legal issues, have limited understanding of entrepreneurship, lack of infrastructure and financial possibilities which represents big setback in formulating acceptable politics for SME

- Countries in transition in south east Europe have to figure out the cooperative politics relating to SME development (Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia)
- Before political and economical changes, central and south east Europe concept of SME did not almost exist. SME were regarded as cradle of capitalism.

Macro economy and result analysis of commerce movements in Serbia show negative fluctuation on the market:

- High level of company inefficiency in all commerce sectors,
- Three times higher import than export,
- Fall of industrial production,
- Higher number of unemployed,
- High percentage of administration material expenses in the republic and federal budget.

Key reason for this is:

- Engaging state owned capital of high value and putting it to practical use.
- More than 66% value of total commerce in Serbia in the last eight years generates only losses and unemployment.
- Inefficient state companies in every business circle contaminate negatively balance of subcontractors and their banks and therefore entire Serbian market ends up being insolvent and inefficient.

Having a lot of assets, state companies can secure credits with banks, but are not solvent to pay out the credit, so based on collateral they end up spending their own substance. The consequence of this is a decrease in capacity usage, lowering the level of employees productivity and at the end them - being fired.

On the other hand, privately owned companies show the following:

- They are the only ones which in the continuity for the last eight years show some positive progress,
- With small number of employees and modest capital they still can't erase negative affect that state owned companies have on the market.

Highly capitalized privately owned companies don't have the opportunity to guarantee credits (with present conditions) in the banks with their own capital, so that this sector could enter investment development and therefore generate higher profits and more jobs. Possible efficient solution needs an urgent relocation input to the higher level of efficient usage which can only be done with entrepreneurship reconstruction.

Entrepreneurship reconstruction is possible to perform at the least two ways:

1. selling companies to foreign strategic partners (by importing entrepreneurship skills and capital) and/or
2. By selling state capital under good conditions to domestic entrepreneurship and managerial teams originating from existing private (and/or to internal entrepreneurship and managerial teams from own companies).

Referring to this, Serbian Government has opened tender and auction privatizations and it has been marked as good concept. Weakness of the non existing laws as well as of follow up instruments and institutions in performing privatization shows as low accumulative and capitalized private enterprises and their owners – so that they can appear as buyers of partly or whole part of the state owned company. Victory of opposition at the 2000 elections has created political and social assumptions towards

creating market economy and civil democratic society in Serbia. It has been made possible to bring political legal framework for processing necessary reforms, without key institutional changes that have been announced by creating new Constitution. Regarding this it is impossible to precisely determine necessary social context for developing entrepreneurship and SME since the following hasn't been defined:

- Regional and unitary concept of the future Serbia
- Owners decentralization and giving bigger rights to municipalities in handling their property
- Tax decentralization and tax competitiveness
- Administrative decentralization and providing bigger rights (and responsibilities) to local authorities
- Centralized or decentralized education system
- Centralized or decentralized inspection surveillance

Conclusion

Entrepreneurship in Serbia is yet not recognized as good choice of career. However, evaluation of potential in Serbia shows the few possibilities in developing entrepreneurship as well neighboring countries. In the last few years, there have been operating actions taken by various domestic ministries, government agencies and non governmental organizations and international donors towards developing creative, competitive business environment showing in numbers and vitality of SME.

Existing institutions such as Agency for small and medium enterprises, National employment office, regional and local agencies for developing small and medium enterprises, chambers of commerce on various levels, increasing number of domestic and foreign non governmental organizations and local self-government and recognize entrepreneurship of young people as the sector to be invested in. Through support of mentioned institutions and organizing, youth entrepreneurship gets additional support for development, but due to increase in efficiency it is necessary to improve work of all institutions and their mutual cooperation.

Success depends on many factors, but we can influence on some of them and on some not, lucky is also to be reckoned with. However, one of the big, as not the biggest, advantage is getting to know its possibilities. If we know our limits and abilities and how far we are ready to go, we have the advantage not only on personal but also on business level as well. Getting to know yourself and your personality is not an easy job but with a lot of psychoanalysis; thinking and experience we can get to know ourselves and react accordingly. However, work and/or company we don't know that good, nor we have spent much time getting to know it and also there are a lot of extern factors which influence its potential. Still, to know advantages and defects of your company, your work environment, work sector and project can be essential for success. Furthermore, even if you know well your business, you should always take periodical checks and put remarks on the piece of paper, since its better to understand them like that and remember them and written form are available to your other associates.

Main goals of developing small and medium entrepreneurship in Serbia should be:

1. Increasing number of small and medium enterprises for 20% in the next five years
2. Encouraging growth of profit and additional value of small and medium enterprises
3. Encouraging growth of fast track, innovative and export of small and medium enterprises

4. Encouraging development of small and medium enterprises by developing franchises, connecting domestic and foreign franchise systems
5. Encouraging entrepreneurship environment to create and increase investment of small and medium enterprises
6. Standardization of business of small and medium enterprises, as important pre condition for developing SME in global world tendencies

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