

APPLICATION OF DIFFERENT MANAGEMENT MODELS IN PRIVATE AND PUBLIC ENTERPRISES THROUGH THE PROCESS OF PROFESSIONALIZATION AT THE LEVEL OF LOCAL SELF-GOVERNMENT

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Abstract: *City economic structures on the territory of the Republic of Serbia should adapt and accelerate the process of balanced development between the urban and rural parts of the city on modern principles of management. On the other hand, the role of the process of professionalization of company management, as a factor of modernization at the level of local private and public companies should be explored, starting from the position that management is not only an economic category dominated by rational, financial, market principles and activities but also a sociological category, primarily reflected in the professionalization and democratization of labor relations. For the purpose of analysis, the forms of changes of the following should be considered: a) development strategies, b) production/property relations, c) changes in existing management models.*

Keywords: *Professionalization, Management, Development strategy, Property relations, Democratization.*

1. INTRODUCTION

Professionalization is a very complex process that takes place simultaneously at several levels of social and economic development. From a systemic point of view, it is a fundamental process of the social division of labor, and from an institutional point of view, it is the legitimization of the privileges of the profession; from a social point of view, it is a source of social stratification. Sociological theories of professions treat professionalization in most cases from the institutional point of view, equating the process of professionalization with the institutionalization of social position, status and privileges of certain groups of professions.

Consideration of the degree of professionalization of management structures at the local government level aims to encourage the development and implementation of new functional management models that should include a specific angle of observation and modeling of the development strategy concept on the concept of management professionalization as a form of management system modernization in public and private sector on the local level in Serbia.

The paper starts from the assumption that a different approach to changes and development in terms of recomposing the structure of relations in the field of management and executive work, provides an opportunity to identify or encourage the needs for new potential, functional, institutional and non-institutional solutions in the management process of socio-economic development on the local level.

The analysis included the area of a local self-government of southern Serbia, an area that represents a true representative of the Serbian average, suitable for measuring potential functional management models in companies, both for selected underdeveloped area of Serbia and for

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other Serbian companies, which are more developed than the Serbian average, and they can use easily visible research experiences to select their strategic development goals, especially since similar research for the territory of Serbia has not been undertaken so far.

2. PROFESSIONALISM – CONCEPTUAL DEFINITION

The definitions of professional activity that we find today in sociology, mostly follow Parsons' basic understanding of the profession as a normatively universal and functionally specific activity. The most frequently mentioned and most criticized is Greenwood's definition of the profession. In his opinion, professional activity is *an extremely complex phenomenon in society, which contains the following elements: 1. systemically grounded theory, 2. professional authority, 3. social sanctions, 4. code of ethics and 5. specific subculture (E. Greenwood, according to Rus and Arzensek, 1984).*

Barber's definition differs from Greenwood's in that it is somewhat more selective and also in that it emphasizes less the autonomy or authority of professional activity. Different definitions of professions, which we come across in the professional literature, for example, in E. A. Krause (*Krause, 1971*), are quite similar to Greenwoods. They differ from it in that they place less emphasis on professional autonomy and a monopoly on expertise.

Sociologically speaking, the difference between craft and professional activity is that the former is focused on continuity and professional activity on innovation and creativity. Social changes as an environment are not inherent in craft activities, while professional activities take place and are maintained on constant changes, criticism and introduction of innovations. Theory cannot be replaced by experience, but only methodologically-empirically supplemented and refined. Any compensation of experience with theory is non-functional and methodologically wrong and thus poses a danger to the quality of the professional activity.

3. PREREQUISITES AND LIMITATIONS ON THE PROFESSIONALIZATION OF MANAGEMENT IN LOCAL PRIVATE AND PUBLIC ENTERPRISES

The focus of the paper is the role of the process of professionalization of management in enterprises as a factor of modernization and development. The relations that are analyzed are monitored through the analysis of the forms of changes of a) development strategy, b) production/property relations and c) management models.

The starting point is the assumption that the speed of transitional changes in post-socialist societies, which have found themselves in the process of restoration of the socio-economic capitalist system of various historical forms, from neoconservative to neoliberal, will depend on the degree and form of professionalization of management in the management process at the levels of work organizations.

In order to discover the preconditions, basic obstacles and limitations of professionalization of management in local private and public enterprises, the theoretical starting point are two criteria that define the professional activity and they are professional activities and type of knowledge of the professional occupation. There are different needs and consequences that arise from the ownership relationship in the process of professionalization at work, so a different degree of importance is attached to certain professional activities and the type of knowledge of professional occu-

pations. The results of research² conducted in the area of local self-government³ which represents the Serbian average showed that in the private sector, professionalism in work, above all, is seen in adherence to the professional code of ethics and the first place in the public sector, professional approach has as an effect rationalization of work, productivity and democracy and, to a much lesser extent, that it is a professional activity that should adhere to a professional code of ethics.

Confirmation of the different priorities in understanding professionalization at work in the public and private sectors is in declaring the type of knowledge of professional occupations. In the private sector, the development of new professional insights is in the first place and the second place is shared by: non-routine approach in the application of knowledge in solving professional problems and a professional approach as an effect of rationalization of work, productivity and democracy. In the public sector, when it comes to the type of knowledge of professional occupations, the answer is in the first place: professional approach has the effect of work rationalization, productivity and democracy; secondly, non-routine approach in applying knowledge in solving professional problems, and thirdly, what is in the first place in the private sector – developing new professional insights.

From a comparative analysis of the answers obtained by both groups can be concluded that they reflect the level of priority of business activities in order to achieve business goals or successful business. In the private sector, new, fresh ideas and new products are important and a more innovative and creative approach to the work process is sought, which will enable a better market position and competitiveness. Unlike the organization and business in the public sector, which suffers from problems related to non-rationality, inefficiency, inability to make independent decisions by directors and chiefs, non-market orientation because the policy maker in public and public utility companies and their financier, is a local government unit or city which manages public companies through its executive and legislative bodies.

4. RELATIONSHIP BETWEEN PUBLIC AND PRIVATE SECTOR REPRESENTATIVES TO THE FOUR APPROACHES TO THE STRATEGIC CONCEPT

Starting from the position that different strategic approaches differently emphasize the advantages and disadvantages of the offered alternatives for problems solving, the theoretical starting point in the paper are four approaches, which start from the fact that we should first hear the pros and cons arguments, from several offered alternatives, and then approach the problem and tension solving.

² Vukosavljević Pavlović, V., (2020). „Socio-ekonomski aspekti profesionalizacije menadžmenta kao oblik modernizacije sistema upravljanja u preduzećima na primeru grada Leskovca“ (doktorska disertacija), Filozofski fakultet, Univerzitet u Prištini sa privremenim sedištem u Kosovskoj Mitrovici), str. 220.

³ The number of 21 enterprises were taken into consideration (the research was realized in the second half of 2018) from the territory of the city of Leskovac, with over 50 employees with a dominant processing activity and one small number of enterprises with trade and service activities, which were relevant for the research, employing 5664 of the total employees in enterprises (10401) on the territory of the city of Leskovac, in entrepreneurial agencies 2239 and in public and public utility enterprises 770 persons, based on official data in the Report on the Final Account for 2017, from SBRA (Serbian Business Registers Agency), and about 2000 employees in the company that was included in the survey and was not stratified from the SBRA list. Private enterprises covered by the survey are in the legal status of a limited liability company. Some analyzes show that 90% of companies in the Republic of Serbia are registered as LLCs. The research covered five public and public utility enterprises in the area of the city of Leskovac (JKP Komunalac, JP Vodovod, JP Pijaca, JP Toplana, JP Dom). In the category of economic activity, with an absolute share (100%), the service is the only and basic activity.

There are four general approaches to identifying and interpreting strategic tensions or dilemmas. It is viewed: 1. *As a riddle. A riddle is a challenging problem with one optimal solution (a "riddle answer")*; 2. *As a dilemma. The dilemma is a troubling problem with two possible solutions.* 3. *As a compensatory relation. Compensatory relation (or trade-off) is a problem situation in which there are many possible solutions, each of which represents a different balance of conflicting pressures, where more than one always means the same amount less than the other, i.e. what is again for one player is a loss for another*; 4. *As a paradox. A paradox is a situation in which two, seemingly contradictory or even mutually exclusive factors (A and B) appear at the same time as true and valid. The paradox has no real solution because there is no way for the two opposites to logically integrate into a consistent understanding of the problem (Očić, 2014).*

Based on the stated theoretical starting point, the research results^{*4} show that the strategy is mostly understood in both the private and public sectors as a dilemma, i.e. as a disturbing problem with two possible solutions, where each option has its advantages and disadvantages but is not unequivocally superior to the other. It should be emphasized that the results showed a high percentage of public sector representatives trying to give their views on the understanding of the strategy, i.e. that it is: an instrument for successful implementation of strategic goals and activities almost equal to the choice of good business decisions that contribute to market competitiveness, profitability and financial gain.

The positive attitude of private sector representatives towards the strategic approach is seen primarily in the attitude that it is very important as a condition for development, because it provides an instrument for a rational approach to business, defining clear goals, through setting a clear vision of enterprise development. The importance of the strategy in the private sector is also recognized in the sustainability of the family business due to the medium-term, good planning of material and all other resources as in encouraging greater motivation of employees in the work process.

The new paradigm points several objections to the neoclassical analysis of economic development: *a) the absence of historical specification, b) the absence of social analysis, c) disregard for the importance of the structure space in the development process (Očić, 2014).* For the thematic framework of the paper, the objection related to the absence of social analysis is especially important. Analysis of the mentioned shortcoming, the neoclassical paradigm starts from the assumption *that the development and organization of the economy take place in an implicitly harmonious social order, in which there are no internal structural contradictions. (Mitrović, 2014).*

5. THE NEED FOR CHANGES IN MANAGEMENT AND DECISION MAKING

The need for change in management and decision-making is the result of both the imposed practical needs in the business of modern enterprises and the scientific actualization of the form and degree of participation of employees in management processes, starting from the assumption that they are one of the partners in the working process. An integral part of the consideration of people management is the very concept of management. Management, according to American social worker and management consultant Mary Parker Follett, is: "The ability to get things done through people"^{*5}. Management, as a process, consists, according to the vast majority of authors, of four phases: *planning, organizing, leading and control (Janićijević, 2008).* Based

⁴ Vukosavljević Pavlović, V. (2020), „Socio-ekonomski aspekti profesionalizacije menadžmenta kao oblik modernizacije sistema upravljanja u preduzećima na primeru grada Leskovca“, str. 201 - 205

⁵ <https://www.business.com/articles/management-theory-of-mary-parker-follett/>, accessed on 03.04.2021.

on the results of the already mentioned research, the management process is not only an economic category dominated by rational, financial and market principles and activities but also a sociological one, which is primarily reflected in the professionalization and democratization of work relations. To understand the essence of management and its different forms, different management models are taken into account and at first glance, it is noticeable that an essential difference is made between individual models and the attitude about acceptability or unacceptability in doing business in Serbian enterprises at the local government level.

The analysis of research results related to attitudes and opinions towards different models of management shows that the liberal-democratic model of management is, for the most part, characterized as positive. The advantage of this concept is seen in the clearly defined responsibility, the ability of employees to participate in the decision-making process; it emphasizes its adaptation to change and respect for expertise and knowledge.

A strong view of the democratic model of management is that it has been more acceptable in the past than in modern business conditions. The assumption is that it arises from the ideological identification with the former socio-economic concept of real-socialism during the SFR Yugoslavia and the model of workers' self-government, which proved to be not so successful and scientific and social controversies are still going on about the reasons for failure.

The socio-democratic model is positively characterized because it respects the interests and needs of all employees, develops a sense of teamwork, provides the opportunity for employees to make decisions according to the position in the company, cares about people in a social sense. The only limitation of this model is that it is inapplicable in small firms (there is little room for greater employee participation in management because technical issues are mostly addressed).

The fourth management model that is the subject of analysis is authoritarian. Its positive characteristics are recognized in the greater discipline in running the company and negative in the wrong management of the company, causing conflicts, in the blind execution of work orders by subordinates (the consequences are lack of new ideas, a characteristic model in small firms' management where the owners are managers at the same time).

The attitude towards the authoritarian model of management in the public sector, in the largest percentage (80%) is positive, primarily because the decision is made by one person on behalf of all. A positive attitude towards the authoritarian model of management by respondents from the public sector can be understood if it is analyzed from the angle of socio-economic and political conditions in which public companies operate in Serbia. Directors, managers of public and public utility companies, do not have sufficient independence in management, so they may see a solution in the authoritarian model of management.

The reasons for this positive attitude of public sector representatives, according to the authoritarian model of management can be found in the results of the survey, which aimed to examine, among other things, the characteristics of corporate governance in public enterprises in the Republic of Serbia and the business results showed to be *non-efficient or insufficiently efficient in relation to the available resources of public enterprises; the work of public enterprises is very often politicized and there is no professional management that is socially responsible* (Jokić, 2015).

6. CONCLUSION

In finding optimal solutions for a successful business, for private and public enterprises operating on the territory of local governments through efficient management models in transitional market economic conditions, first, further economic development should be harmonized with the needs of post-socialist society in transition which requires a different concept of development and management model for development, both at the level of society and at the level of work organizations.

In encouraging and developing the professionalization of managers through the democratization of relations by involving employees in management processes, one should start with separate management modalities in private and public companies, taking into account various parameters, such as: ownership and management model regardless of the formal-legal, the management framework is the same for both private and public companies in Serbian legislation. There are differences in business policy makers and sources and methods of financing.

Second: in finding a successful management model in companies through the professionalization of management and democratization of labor relations must be taken into account, in addition to ownership, applied management model and differences in priorities in understanding the concept of professionalization should not be an obstacle, but on the contrary, the ability to find the best management models.

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