



# The Role of Serbian Higher Business Education in Overcoming the Challenges of SME Managers

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In this exploratory study, in-depth interviews with Serbian managers of small- and medium-sized enterprises (SMEs) were conducted to identify their main work-related challenges and the extent to which formal higher business education has helped them to overcome these challenges. Serbian SME managers find the main challenges to be related to HR- and marketing-related issues, followed by country-specific problems, such as dealing with bureaucracy, difficulties in obtaining financial resources, and coping with delayed payments. They see considerable deficits in the current system of higher business education, specifically referring to a lack of practice-oriented teaching methods and insufficient cooperation between the universities and the business sector.

*Keywords:* business education; SME; managerial challenges; Serbia; learning

## Introduction

A country's economic development is significantly influenced by both the amount and success of small and medium-sized enterprises (SMEs) (Birchall & Giambona, 2007), as well as the quality of higher business education (HBE) (Brewer & Brewer, 2010). SMEs form the backbone of the Serbian economy. In 2010, 83,278 Serbian SMEs employed 611,912 persons, while the country's 509 large enterprises provided 412,884 jobs (Statistical Office of the Republic of Serbia, 2012). The challenges that SME managers are faced with differ from those of large enterprise executives. HBE, which we define as tertiary education that includes bachelor and master studies focusing on business-related social science studies (e.g. business studies, management studies, finance, banking, organisation, marketing, and business administration), often focuses on the management of large companies rather than taking care of the specifics of SMEs.

In Serbia, the national higher education scheme is reorganised according to the Serbian National Qualifications Framework (SNQF) for Higher Education in accordance with the Bologna process (Damnjanovic, 2010; EHEA,

2003). This is also an opportunity to evaluate the current situation and effectiveness of HBE in Serbia from the SME managers' point of view.

In the literature, we can find general concerns about the effectiveness of HBE. For decades, authors have been claiming that business schools and business-related university programs often fail to adequately prepare students for a successful managerial career (Livingston, 1971). In this paper, we review the literature on HBE effectiveness, explore the challenges of SME managers with a specific focus on the situation in Serbia, and evaluate to what extent the Serbian HBE, in its current form, contributes to mastering these challenges.

### **Theoretical Background**

Many researchers have been studying the effectiveness of business education at the university level. Therefore, we will review the existing research in this field. Subsequently, we will also discuss the specific challenges that SME managers in general, and in Serbia in particular, are facing.

### ***Effectiveness of Higher Business Education***

In a classic Harvard Business Review article, Livingston (1971) strongly criticises existing business education programs and questions the effectiveness of business schools. This article triggered a general discussion about the effectiveness of formal business education, first in the US and later also in Europe. Critical voices (e.g. Brotheridge & Long, 2007; Muller & Porter, 1997; Quelch, 2005) especially questioned the teaching methods that are mainly theory-based (Atwater, Kannan & Stephens, 2008; Benjamin & O'Reilly, 2011; Culliton, 1952; Jurše, 2009; Livingston, 1971; Pfeffer & Fong, 2002; Porter & McKibbin, 1988), the learning environment (Atwater et al., 2008; Muller & Porter, 1997; Stukalina, 2008), and the teaching qualifications of faculty members (Benjamin & O'Reilly, 2011; Bennis & O'Toole, 2005; McGrath Gunther, 2007). Pfeffer and Fong (2002) argue that many management teachers are lacking professional managerial experience, and are therefore often not able to effectively transfer the skills necessary for the managerial profession to the students. On the other hand, McGrath Gunther (2007) advocates a combination of both academic faculty and experienced professionals.

Furthermore, a stream of criticism also revolves around a strongly market-driven education environment. In a competitive climate in which schools focus on profit rather than on student learning (Jurše, 2009), the influence of outside organisations and politics on HBE can increase (Muller & Porter, 1997). Additionally, a trend towards 'edutainment,' emphasizing fun and simple information rather than in-depth thinking and learning, has been identified as an effect of this market-driven education environment (Holbrook, 2004; Jurše, 2009).

A further frequently mentioned reason for the alleged low effectiveness of HBE is poor adaptation of programs to a rapidly changing external environment, as technologies and markets develop at an unrelenting pace (Atwater et al., 2008). Stukalina (2008), for example, argues that curricula, contents, and teaching methods should become more flexible to adapt to the technological, managerial, and pedagogical changes. Moreover, Pfeffer and Fong (2002) point out the importance of connecting business management with other professions, following their observation that cross-functional solutions are often needed in dynamic environments.

Mintzberg and Gosling (2002) even claim that it is not possible to teach management in business schools solely on a theoretical basis, and that only the students with previous managerial experience are able to develop the essential managerial skills. Therefore, different authors call for an integration of multidisciplinary education, teamwork, and managerial practice in HBE (Benjamin & O'Reilly, 2011; Pfeffer & Fong, 2002; Stukalina, 2008).

### **Higher Business Education in Serbia**

In 2003, a modernization process of the higher education system in accordance with the Bologna framework was launched in Serbia. In 2010, the new Serbian National Qualification Framework came into action based on the Bologna model (EHEA, 2003). With the preparation of the new framework, the European Commission played an important role in shaping the new educational system, as well as in the reorganisation of the study programs in Serbia (Jurše, 2009). Through these developments, the Serbian HBE has become structurally comparable with HBE in the European Union. The number of social sciences, business, and law graduates rose from 9,899 in 2009 to 11,216 in 2010 (Statistical Office of the Republic of Serbia, 2013).

However, at the same time research results reveal that students only acquire limited problem-solving skills and competences for implementing theory into practice (Damjanovic, 2010). Further challenges that are shaping the Serbian higher education environment are connected with a changing role of management in society, a changing political and economical environment in Serbia (especially the influence of politics on education), and the increasing internationalization of higher education.

Serbian HBE was also criticised for poor cooperation between business and education sectors (especially regarding the development of education programs according to the real market needs), insufficient cooperation between students and local companies (in real case projects, master theses or seminar papers), and a lack of assistance for graduates to find their first job among partner companies (Damjanovic, 2010). Suggestions for the improvement of the Serbian HBE system include modernization of the general teaching approach, including enhanced teamwork, providing opportunities

for applying problem-solving strategies, and searching, combining and evaluating knowledge from different sources (Smirnov, 2008), reduction of government influence on education, increasing the proficiency of teaching professionals in using modern teaching methods, and offering programs that are more relevant for current labour market requirements (Damnjanovic, 2010).

### **General Challenges for SME Managers**

In today's dynamic, globalised environment, SME management has been increasing in complexity, while in the past, many SME managers often relied mainly on business instinct (Engstrom, 1967). Rutherford, Buller & McMullen (2003, p. 41) argue that 'daily there are more than thousands of firms that do not succeed in business mainly because of their managerial incompetence.' Success of SMEs thereby depends on recognizing key managerial challenges and finding well-defined solutions for those challenges (Rutherford et al., 2003).

Commonly mentioned challenges for SME managers can be categorised into the following (Dearborn & Simon, 1958; Huang & Brown, 1999; Rutherford et al., 2003; Terpstra & Olson, 1993; Walsh, 1988):

- *Marketing and sales challenges* for SME managers include a lack of financial resources for marketing (Weinrauch, Mann, Robinson, & Pharr, 1991), poor marketing knowledge and competences (Huang & Brown, 1999; McGrath & O'Toole, 2011), weak customer communication and public relations, sales, choosing the right target market, searching for the best location, pricing, and competition assessment (Dodge & Robbins, 1992; Huang & Brown, 1999).
- *Human resource management challenges* for SME managers include the complexity of the HR management system and a lack of competences to handle all aspects of it, especially the selection process, HR planning, performance and reward systems, training, paperwork, and skill development of employees (Baird & Meshoulam, 1988; Tocher & Rutherford, 2009).
- *Financial challenges* for SME managers include a lack of knowledge, especially in accounting, financial planning, poor cash-flow, financial resource allocation, approval of credit and loans, and participating in government grant application processes (Dodge & Robbins, 1992; Huang & Brown, 1999). Furthermore, SME managers are usually expected to have more difficulties in cooperating with banks, as well as worse conditions for obtaining credits compared to their large corporation counterparts (Visinescu & Micuda, 2009).
- *General management and SME growth challenges*: During the launch

and growth phases of a company, it is essential for managers to have the ability to recognise the opportunities and customer needs, plan, choose a service or product delivery path, implement new technologies, establish financial control, delegate tasks, communicate effectively, and take the right decisions at the right time (Dodge & Robbins, 1992; Kontinen & Ojala, 2011; Kroeger, 1974; Shane & Venkataraman, 2000). Huang and Brown (1999) argue that many SMEs are usually established by enthusiastic individuals who in later stages of the company's development lack the necessary managerial know-how. Problems may also arise in SMEs because the entire decision-making process and responsibilities are focused on one person (Huang & Brown, 1999; Percy, Visvanathan & Watson, 2010). Further general management challenges for SME managers include inventory planning, cost control, organisational design, and dealing with influences from the external business environment (Dodge & Robbins, 1992). Also, ethical challenges are more frequently experienced, especially in an international business context (Jamnik, 2011).

Although most of the issues outlined above are not country-specific, there are also cultural and institutional factors that can influence the challenges that SME managers are facing.

### **Specific Challenges for SME Managers in the Serbian Business Environment**

In the *Global Competitiveness Report 2012–2013*, Serbia ranked 95th out of 144 countries (World Economic Forum, 2012), and 92nd out of 183 countries in the *Ease of Doing Business* report (The World Bank, 2012). Although the Republic of Serbia is in the process of transition towards a market economy and has been holding the official status of a candidate for membership of the EU since 2011, its culture, business, and society are in many ways still influenced by the communist era, in which Serbia was an integral part of the Socialist Federal Republic of Yugoslavia (Ognjanov, 2006).

In Serbia, flexibility, tradition, interest, knowledge, and experience are highly appreciated business values, as is a communication style that is people-oriented, preferably face-to-face, and very expressive (Ognjanov, 2006; Radonjic, 2010). Building long-term relationships with business partners, gaining trust, and strong personal network connections are seen as essential for managers doing business in Serbia, as relationship building is a highly valued business characteristic (Radonjic, 2010).

Another specific challenge for SME managers in Serbia relates to the legislation and the rule of law. A lack of implementation of the European

laws in the Serbian legislation and a strong influence of ministries on the legislation process were particularly criticised in the report of SIGMA, a joint initiative of the EU and the OECD (OECD, 2011).

The combination of historical heritage, business values, culture, and political and economic environment causes corruption, which is considered an important issue in Serbia. In the 2012 *Corruption Perception Index*, Serbia ranked 80th out of 174 countries (Transparency International, 2012). Bribery and corruption were found to be widespread in the common processes, such as obtaining licences, among the political elites, and in the form of insider deals and money laundering (OECD, 2005; Upchurch & Marinkovic, 2011). It is therefore a challenge for managers to stay independent and avoid illegal businesses in a country where corruption is still considered an important issue in the business environment.

Another highly relevant challenge for the Serbian SME managers lies in obtaining the necessary financing for their business operations and business development. This is due to very high interest rates, unstable political and economic environment, low level of bank trust and high guarantee requirements (OECD, 2005). The most important source of SME financing still comes from internal financial resources, such as owners' equity, family money, and retained earnings (Marchese & Potter, 2006).

## **Methods**

The main goal of the empirical study was to get an inside view of SME managers' challenges in Serbia and to explore to what extent HBE is helping managers to cope with these challenges. Following Hatch (2002), informant interviews were used to identify the main challenges perceived by the Serbian SME managers and the role that HBE plays in helping them to overcome these challenges. Given the exploratory nature of our study, in-depth interviews with key informants were preferred to using a survey-based questionnaire, as richness of data and search for subjective meaning were important for developing the basic understanding of the managerial challenges. The interview were based on open-ended questions regarding the challenges (e.g. 'Please describe at least three of the most important challenges that you are facing as a manager in Serbia and explain how you deal with these challenges?'), higher education (e.g. 'Please describe what kind of methods and education style were used at your university?'), and a combination of both topics (e.g. 'In your opinion, which were the most useful skills that you gained during HBE?'). Finally, the interviewees were also asked to offer some suggestions for the improvement of HBE in future.

The interviews were conducted by the first author during May and June of 2012. As suggested by Davis (2000), two pre-study interviews were held with candidates with a similar profile to the interviewees in the main study.

The semi-structured interview guideline was slightly adapted based on the findings of the pre-study. Pre-study interviews were not subsequently included in the analysis.

Twelve in-depth interviews were then conducted, of which nine had an adequate quality to be used for further analysis and discussion. Due to the time restrictions, two candidates expressed their wish for shorter interviews. The average length of the remaining interviews was 50 minutes (with a range from 30 to 60 minutes); all interviews were conducted in English language. The interviewees were also promised complete anonymity.

The contacts were obtained in different ways. Twelve universities from across Serbia (5 state-run and 7 private) were contacted and asked either for their alumni contacts, or to forward an introductory e-mail to their graduates. Furthermore, e-mails were sent to 172 Serbian SMEs, and finally, connections were also made through the Chamber of Commerce, personal networks, social media including Facebook, Xing, and LinkedIn, and with the assistance of the interviewees. The final interviews were made either via telephone or Skype. All interviewees graduated from programs that focused on economics, management, or business at either a private or public HBE institution in Serbia. Three interviewees graduated at private institutions, while six interviewees graduated at a public university (see also Table 1 for further information about interviewee profiles).

Standard content analysis procedures were used to elicit the main constructs that the respondents referred to in the interviews. The data was arranged into three overall groups according to research framework: managers' challenges, HBE in Serbia, and the role of HBE in overcoming of managers' challenges. The answers of the first group were categorised based on the type of the challenge (e.g. marketing and sales-related challenge, human resource management-related challenge, or growth challenge). In all three groups, the data was compared with theory in an iterative process. Based on these comparisons, the final conclusions were made. Reliability is ensured with a protocol of data collection and analysis procedure and the grounding of interpretation in examples from the interview data (Stiles, 1993). Different verification strategies were used to check validity based on the proposals of Morse, Barrett, Mayan, Olson, and Spiers (2000), namely making sure that the sample includes interviewees who have expert knowledge in the topic, collecting and analysing interview data iteratively, and reconfirming findings with new data.

## Results

The results of our empirical research are presented in three sections. First, we summarise the opinions of SME managers regarding key challenges of conducting business and managing organizations in Serbia, and their main

**Table 1** The Profile of the Interviewees

Gender		Age group		Industry	
Male	6	21–30	2	Engineering	3
Female	3	31–40	4	Consulting	2
		41–50	2	Tourism	1
		60+	1	Marketing	2
				Publishing	1
Firm size		Management experience		International experience	
Micro	3	1–3 years	4	Europe	4
Small	4	4–6 years	3	Overseas	3
Medium	2	7–9 years	1	No experience	2
		10+ years	1		

strategies to overcome these challenges. Second, we provide an insight into SME managers' perception of HBE in Serbia. Finally, we focus on the SME managers' perception of the role of HBE in overcoming their main challenges. We also include quotes from the interviewees to illustrate the main findings.

### **Challenges for Serbian SME Managers**

Respondents highlighted eight areas of challenges that they face in their role as SME managers: (1) human resources, (2) bureaucracy, government, and legal regulations, (3) payment delays and financing, (4) marketing and sales, (5) business and personal networks, (6) growth of the company, (7) organisation of work, and (8) corruption.

The most frequently mentioned challenges within the area of human resources were the lack of motivation and responsibility of employees, manager's self-motivation, loyalty, lack of eagerness to learn, conflicts between the 'rigid' older generation and 'irresponsible' young generation, employee attraction and selection process, organisation of people, and teamwork. The following quotations illustrate some of these challenges:

You need motivated people, you need very good communication, you need sophisticated management practices and it is very important to have all these things on the table at the same time. [Manager D]

Challenges we were faced with were always a lack of any kind of [break] – well let's say – organisation, yes, self-organisation, self-motivation. Too many people are money- and not result-driven. [Manager G]

We are a small team and if one of us makes a mistake everyone is going to feel it. But the problem is that most employees don't understand that. [Manager C]



SME managers stated that they cope with some of these challenges through asserting their authority, using bonus systems, and organising social events for employees. Managers also referred to the use of mentoring or training approaches. For the employee recruitment and selection process, personal networks are often used in combination with creative interview techniques.

These people are working for a pay-cheque, plus they have bonuses for every effort they make. I think this is the best model for any type of motivation. [Manager F]

To be honest, when it comes to older people, I am managing them through my authority. That's the only way. They do it because I said it and nothing else. [Manager E]

We really like to hire people that are relatives or are children of good workers. So many people are family-connected. [Manager A]

I ask them how many books they read in the last [...] year, which daily paper they read, which weekly paper, which magazine, what are they watching on TV. In let's say five minutes I get a very good picture on what level they are. [Manager I]

The second category of challenges relates to the areas of bureaucracy, government, and legal regulations. The SME managers generally perceived administrative processes in Serbia as very slow, time consuming, rigid, and inefficient. They did not believe that much can be done about it, and have become accustomed to it. Managers also pointed out poor communication between business and politics, particularly when the latter is imposing new policies, no real strategy for business, and a high dependence on personal networks and connections. According to their statements, the legal system in Serbia is strongly focused on protecting big corporations, with SMEs being left behind. Consistent with their view of politics, SME managers see lobbying as a crucial activity for small companies to survive in Serbia.

We actually have a lot of issues with bureaucracy, also with all other similar things, but we are accepting this environment as something that can't be changed. [Manager D]

I think the problem is that we don't have strong enough institutions here in Serbia. [Manager B]

If you have some background and get some scores from a political party, then you can continue with your project and if you don't, you can't. [Manager D]

A further important challenge for Serbian SME managers is managing liquidity. This is particularly due to client payment delays, especially in case of higher amounts. Therefore, they see good long-term relationships with both suppliers and customers as key for survival in business. As the banks demand an excellent historical record, stable accounts, high interest rates, and guarantees in the form of taking mortgages against private property, external credit financing is often not an option for smaller firms.

The liquidity is the main problem. Financing not so much but liquidity is, especially during big business operations. [Manager C]

I am not sure that a lot of people would just have this – let's say – strength to get into all this. It is very uncertain. You really do not know if you will be able to pay this loan. [Manager B]

A fourth category of challenges relates to the area of marketing and sales, and includes finding ways to increase the number of customers, following new trends in marketing, such as direct marketing, as well as dealing with a shrinking and financially limited domestic market and an increasing number of competitors.

How to explain to the people that they can benefit from this type of marketing, you know, the differences between direct marketing and other kind of marketing development in the past. [Manager F]

The market is small and the competitors are too large in numbers [...] small companies, not really a threat, but when you have 10,000 of those small ones, well, that becomes a problem. [Manager C]

The main strategies to overcome the marketing- and sales-related challenges are long-term relationship building, tactical planning, innovative and unique ideas, observation of new trends, combination of modern media and good management of contact lists, and finally – very important in Serbia – strong reliance on the word of mouth.

I established a good web site with social and business network activities, [...] we organise our contact list, call and directly sell our services, [...] our marketing strategy for the first two years is the word of mouth system. [Manager H]

We prepare some programs for them [customers] – usually two days – and we do it somewhere in the mountains. And that is something that only we are doing in Serbia. [Manager I]

Building strong business and personal networks is seen as crucial for a long-term market presence. This includes searching for partners, maintaining good relationship with current business partners and clients, and

participating in business associations. Personal networks are also seen as important for attracting new employees, although less so in the final hiring decision.

If you have connections in a certain company you will be able to get a job or you will be able to get a client and if not, you are in a big trouble. It's really hard to prove yourself by just being a good quality person with great knowledge. [Manager B]

Every recommendation from a family, friends [...] is OK, but at the end of the story I cannot employ somebody that has no experiences in my type of business. [Manager F]

Growth of the company was mentioned only by a few SME managers as the key challenge. The need to prepare short- and long-term plans, future income and cost estimations, and presentations for business partners were, however, pointed out by the respondents. SME managers also used external help, turnaround management programs, different organisational practices, and intuition to choose the right time and way of change.

We had an excellent consultant from England [...] He was here as one of our employees and he knew very well all the processes and all the managers in the company. [Manager E]

You have to have some project manager, some facilitator or any kind of person who has to be out of day to day work or operations and just concentrated on management [...] So we have two educated and dedicated people just for operational management' [Manager D]

The seventh category of challenges relates to the organisation of work. Constant time pressure, delivering the best results in a short time frame, the complexity of work, and attending to all important small details were of managerial concern in this field.

The managers did not see corruption as the main challenge, although they did agree that it is a common characteristic in the Serbian business environment. They also recognised a grey area between lobbying, which they consider as crucial in business, and illegal corruption. Respondents stated that 'direct corruption' rarely happens; more frequently, SMEs are offered businesses in exchange for part of the profit. The managers also acknowledged that taking suspicious offers can make a company dependent, while rejecting them often means losing important market opportunities.

'I will get you this job, but you will have to give me a part of your profit.' And this is how it works here. It's very open. [Manager B]

Once we would start with this, then it's very hard to be independent. [...] Of course it is hard to know that we lost good business. We had so many cases that we lost some part of the market [Manager I]

### ***SME Managers' Perception of Higher Business Education in Serbia***

The interviewed SME managers voiced criticism of the teaching methods, curricula, and the quality of the teaching faculty of higher education institutions. During their formal business education, they were provided with a lot of theory and only limited practical experiences, although three alumni from a private university reported the use of practice-oriented case studies as a teaching method. The curriculum was mainly theory-based and the managers generally missed applicable knowledge (e.g. about business start-up, the complex structure of an organisation, project management, 'soft' managerial and communication skills, teamwork, and team decision-making). Programs were considered as old-fashioned. During their time at university, the managers also did not notice much cooperation between higher education and local businesses.

A bunch of old-fashioned methods, tools and techniques that are outdated and completely unrecognised on the market. [Manager G]

We didn't get any experience during college, I didn't have any experience that would be provided from my college such as internship or something like that. [Manager F]

There are no subjects that would teach young managers how to behave, how to talk to people, how to treat their valuable assets – it's human assets, of course. [Manager B]

The best and famous event is the Case Study Show where students solve real company problems every year [...] It's a real company, a real problem. [Manager H]

Managers also complained about the standards in the teaching profession. A common line of criticism referred to professors that often have a solid academic background, but no professional experiences, as well as to the faculty members without sufficient knowledge about the requirements of today's business world and market trends. Three interviewees, however, also expressed satisfaction with some of their former professors, especially those who gave some practical examples or organised guest lecturers.

They don't know really anything about how to make money. They just know things theoretically and they are telling big stories about this and that, but they don't really know how to turn around 100 Euros. [Manager I]

We had both types of them [professors]. And we always liked those who had some experience and also academic knowledge. [Manager E]

Other perceived weaknesses of HBE that were mentioned in the interviews were the lack of business experiences of the students, as well as the lack of cooperation between companies and universities.

Education following some experience in the managerial area can be much more useful and is better accepted than education without previous experiences. [Manager D]

There is no absolutely modern practice or any kind of internship model in most of the universities, both private and state. [...] basically we were depending on ourselves where to go after [studying]. [Manager G]

### ***The Role of HBE in Overcoming the Challenges of Serbian SME Managers***

The interviewed SME managers pointed out some positive outcomes of the formal business education, such as the opportunity to access different data, libraries, and web pages, and to learn individually from these sources. Furthermore, they recognised the opportunity to build a strong network of professionals from different programs. Nevertheless, they tend to see formal education only as a first step that provided them with a basic overview of the market system, but did not help them to understand private business practices and to survive as entrepreneurs. Most managers stated that they also needed additional learning, seminars, and experiences.

I met all these people [experts in different areas] during my studies at the university. I mean in different faculties, but in university you can always find the right people to cooperate with. [Manager G]

It made me aware of where to look and how to look and to understand things, but logical conclusion making – no [I could not find it]. [Manager F]

To compensate for what they did not get during their formal business education, managers turned to external education providers, education abroad, seminars and trainings, business networks and business partners, family and friends, self-teaching, and relied on practical experience.

I talked with people from different types of business or with the people with whom I can exchange my ideas and [...] who have some experiences in solving similar problems. [Manager F]

My mother is still in the office so she helps a lot. She has been working here so long. [Manager C]

And every decision I am now making on those things [experiences] that I have learned in the last 20 years. It's not the university, I just forgot about the university as soon as I started working. [Manager I]

Finally, based on what the managers were missing in their own HBE, and on the knowledge and skills they had to acquire additionally, SME managers gave some recommendations for further development of business education. The main proposed improvements were related to changing the curriculum and adding additional courses, modernizing teaching methods, increasing cooperation with the business sector, introducing internship systems, increasing admission requirements in terms of students' experiences, employing more experienced teaching professionals, and introducing psychological evaluations of students at the end of each semester:

It must be not only delivering the knowledge but asking from students to point out the problems and at the same time give you the solutions. [Manager E]

## Discussion

The results of the empirical research among Serbian SME managers confirmed many of the findings from the extant literature. No gender-specific differences were noticed in the perception of managerial challenges, which is in line with DeMartino and Barbato (2003). The most frequently mentioned challenges referred to the areas of human resource management, marketing and sales, and general management, which is in line with prior research results, such as, Huang and Brown (1999). As suggested by Dodge and Robbins (1992), the research confirmed that SME managers face challenges such as market assessment, customer contact, competition assessment, and a lack of financial resources for marketing. To overcome these challenges, managers build strong physical and virtual networks among SMEs (McGrath & O'Toole, 2011) and attempt to create and maintain long-term relationships with their customers (Percy et al., 2010). Moreover, managers confirmed that time pressure, decision-making, dynamic and unstable business environment, organisational growth, and choosing the right time for reorganisation were also relevant challenges, which is consistent with the findings of Huang and Brown (1999), Miller and Toulouse (1986), and Ray, Baker and Plowman (2011).

In view of the specifics of the Serbian business environment, the respondents confirmed that the observations of Kovalainen (2006), Ognjanov (2006) and the OECD (2011) concerning inadequate implementation of laws, unfair competition, irrational implementation of rules, high level of bureaucracy, and slow, rigid administration, also play an important role in the operation of SMEs. In Serbia, personal and business networks are also

highly important in the business sector, especially for obtaining financial resources, attracting employees, and to close business deals (as proposed by Ognjanov, 2006; Radonjic, 2010). Further country-specific challenges that were confirmed by our empirical study were general difficulties in obtaining government grant assistance, credits and loans, as well as strict bank policies (Huang & Brown, 1999; Visinescu & Micuda, 2009). One of the major challenges mentioned by the participants that have not been previously covered by the reviewed literature was the issue of payment delays, particularly from large corporations, governmental and public institutions. For many of the most frequently cited challenges, interpersonal competences are needed (for motivating employees and establishing customer relationships, as well as lobbying, overcoming administrative hurdles or ensuring faster payment due to better relationships). Although crucial for SME managers, developing these 'soft' competences is usually not the main focus of HBE programs.

The main aim of HBE lies in providing the students with all the skills and competences relevant for their future managerial career (Jurše, 2009). As mentioned already in the literature review, critics doubt that HBE is able to reach this aim (Atwater et al., 2008; Livingston, 1971). The main lines of criticism in the extant literature, particularly the extensive focus on theory and the lack of attention to practical work and experiences, were also emphasized by the Serbian SME managers. Similar to Atwater et al. (2008), the managers also claimed that there is not enough knowledge about the integration of different organisational levels and organisational functions in different environments. In line with Bennis and O'Toole (2005), SME managers perceived the lack of professional experiences of teaching professionals as a problem, making the transfer of theory into practice more difficult (Pfeffer & Fong, 2002). Managers also complained about 'old-fashioned' teaching methods, consequently urging for a combination of managerial practice and modern pedagogical tools to be used in classes. Furthermore, SME managers agree with Damjanovic (2010) that cooperation between business and education sectors is not sufficient and should be better implemented in the teaching plans. In general, our research confirms Livingston's (1971) proposition that students are lacking practical experiences, which in turn lowers the (perceived) quality of HBE. The SME managers also pointed out that theory and classes would be more effective if the students already understood the managerial profession from their own practical experience.

Based on their experiences acquired through both, formal business education and managerial practice, the managers proposed some future improvements for HBE. The main suggestions included the modernization of teaching methods and better connection of the business sector with the

HBE; adding additional courses to the curricula, particularly the courses related to managerial soft skills and the nature of managerial work; raising the requirements regarding student admission requirements and faculty member expertise, especially in terms of previous business experiences. These suggestions support Stukalina's (2008) advocacy for a multidisciplinary and interactive approach to study, Livingston's (1971) and Preffer and Fong's (2002) call for obligatory internships for every business education program, and Engstrom's (1967) and Mintzberg and Gosling's (2002) suggestions to put more emphasis on courses such as managerial soft skills, communication, law, and psychology in business education programs.

This paper presents the first exploratory study of the challenges that Serbian SME managers are facing and whether they perceive HBE as supportive in overcoming these challenges. One of the main limitations of this research, however, is that it is based on the analysis of only nine interviews. Together with the fact that due to a low response rate to the interview requests, the respondents graduated from only two universities, one private and one public, the results cannot be generalised. The selected method of sampling might be one of the main reasons for the low response rate, since the search for candidates and interviews was made via the Internet or telephone and not in person. A lack of personal contact with potential interviewees can be connected with lower trust and can result in a low response rate. Although qualitative research does not generally require a large sample, a more diverse interviewee base would be desirable. Further quantitative research could focus on the differences between the perceptions of alumni from private universities as opposed to the alumni from public universities, and could also reveal whether factors such as industry affiliation, company size, tenure, or international experience also influence the SME managers' views regarding the practical value of HBE.

## Conclusion

The results of our research reveal that Serbian SME managers are not fully satisfied with the HBE that they received in Serbia and its capacity to support them in dealing with their daily challenges. Primarily theory-based curricula received most criticism, closely followed by old-fashioned teaching methods, and the lack of practice-oriented teaching. Based on the findings of this study, the following measures could be taken by higher education institutions in Serbia to improve the practical relevance of their programs: (a) including more (full-time or part-time) faculty members with practical business experience, (b) discussing real-world challenges in the classroom (e.g. based on case studies of Serbian companies), (c) stronger focus on developing managerial 'soft' competences (e.g. communication, building relationships, networking, and team dynamics), and (d) intensifying cooper-



ation with companies (e.g. in the form of obligatory internships or student projects for SMEs).

Relevance for practice begins with finding out what practitioners need. This study provides the first step to a better understanding of the specific requirements of SME managers as an important target group for HBE in Serbia.

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