

Marko Špiler<sup>1</sup>  
Goran Kvrđić<sup>2</sup>  
Radomir Vujadin<sup>3</sup>  
University Union-Nikola Tesla,  
Faculty of Management, Sremski Karlovci

SCIENTIFIC REVIEW ARTICLE  
doi:10.5937/ekonomika1602111S  
Received: April 21, 2016  
Accepted: May 19, 2016

## ATTAINING THE STRATEGIC ADVANTAGE IN LARGE BUSINESS SYSTEMS THROUGH THE PUBLIC PROCUREMENT SYSTEM

### Abstract

*Purchasers and bidders, in the sense of Public procurement law, represent one of the most important factors of the economic and social system as a whole. Their significance is multiple, and due to a difficult situation and the period of post-economic crisis, the idea of necessity of a change in business operations of the participants in business environment is emphasized, especially in the public sector, in order to reduce to a minimum or completely eliminate the multiyear losses in business operations, which represent a crucial, but not the only, indicator of business success. Radical turn in the sense of business operations of the purchasers represents a risk. The more radical the strategic option, the greater the risk. However, this paper rests on the idea that the turn is not the strategy which should be applied to the purchasers and the large business systems in public sector, because by radical changes in one segment of the large system we can disturb its other parts and experience fatal consequences for the system as a whole. Instead, a situational, adaptive model is suggested, with the dominant application of incremental, „step-by-step“ strategic steps, in order not to disturb the structure of the system. Also, besides the measures connected to the current business operations, in certain segments we mention the factors which are not absolutely in reach of large business systems, but they would significantly contribute to better business operations and of course to rehabilitation of losses. Everything mentioned, regardless of the level and correlations between the mentioned factors, is shown through the thematic of public procurements, through which the contracting of the largest number of businesses in public sector happens.*

**Key words:** public procurements, strategy, system, transformation, risk

**JEL classification:** M2, M21, H11

<sup>1</sup> mspiler@gmail.com

<sup>2</sup> g.kvrdic73@gmail.com

<sup>3</sup> rvujadin@gmail.com

## ОСТВАРИВАЊЕ СТРАТЕШКЕ ПРЕДНОСТИ У ВЕЛИКИМ ПОСЛОВНИМ СИСТЕМИМА КРОЗ СИСТЕМ ЈАВНИХ НАБАВКИ

### Апстракт

*Наручиоци и понуђачи у смислу Закона о јавним набавкама, заједно представљају један од најбитнијих чинилаца, како економског, тако и друштвеног система у целини. Њихов значај је вишеструк, а због тешке ситуације и периода пост-економске кризе, често се истиче идеја о неопходности заокрета у пословању учесника у пословном окружењу, а нарочито у јавном сектору, како би вишегодишњи губици у пословању, који представљају веома важан, мада не једини индикатор пословне успешности, били сведени на минимум или потпуно елиминисани. Радикални заокрет у смислу пословања, наручилаца представља ризик. Што је стратегијска опција радикалнија, то је ризик већи. Ипак, овај рад почива на идеји, да заокрет није стратегија коју треба применити на наручиоце и велике пословне системе у јавном сектору, јер радикалним променама у једном сегменту великог система, можемо пореметити остале његове делове и доживети фаталне последице за систем у целини. Уместо тога, сугерише се ситуациони, адаптивни модел, уз доминантну примену инкременталних, „step-by-step“ стратегијских корака, како се структура система не би пореметила. Такође, поред мера везаних за текуће пословање, у извесним сегментима су поменути и фактори који апсолутно нису у домаћају великих пословних система, али би у великој мери допринели бољем пословању и наравно санирању губитака. Сво ово, без обзира на ниво и корелације између поменутих фактора, прожето је кроз тематику јавних набавки, кроз које се врши уговарање највећег броја послова у јавном сектору.*

**Кључне речи:** јавне набавке, стратегија, систем, трансформација, ризик

### Introduction – significance of the adequate strategy defining

Defining the best strategy for large business systems management, in public, private, mixed ownership sectors, represents a challenge for the theoreticians in the long run, and as it seems, it shall remain a challenge in the future period due to changes and the dynamics of the environment. Management of every large business system must have a defined strategy of business, growth, i.e. development of the company, especially in the dynamic environment, such as today's business environment. In this context, it must define the long-term business and growth strategy.<sup>4</sup> This represents an issue and a challenge in the already mentioned dynamic environment, which we can freely define as – constant revolutionary environment. The constancy of changes in the modern business

<sup>4</sup> Period of five years represents a real framework.

operations asks for finding the new ways to approach the issues of large companies' transformation. As the time passes and the conditions in which business operations are done change, new definitions and versions of transformation strategies of the mentioned systems, become necessary.

On the other hand, the area of public procurement management represents a young branch of science on management and the area whose studying, empirical researches and application should in the future provide real results. There are multiple reasons for this. First of all the enormous amount of money which is spent through public procurements, which is around 20% of GDP of European Union, according to the estimates<sup>5</sup>. Besides this, more and more people work in the field of public procurements, and the need for new public procurement managers is constant. The problem of corruption, which is real in public procurements, also can be eased, or removed by constant education, by educating the employees who work in public procurements and by raising awareness of all participants in these businesses<sup>6</sup>.

The changes represent the necessity and a reality. Therefore the management must, in the adequate way, react to them and adjust to them or oppose them if necessary. That is why, the papers such as this one, have a great significance and conduct their own mission, in order to contribute, in a quality manner, to the development of the theoretical aspect, of the strategic management, connected mainly to large business systems, but also to the economic and legal science in general. Result of the research published in this way, refers also to the contribution to management and science of economics in general, but also to the preparation of the domestic professional public. According to the results of the mentioned analysis, we conducted the elaboration with the goal of modelling and conducting of certain elements for the necessary harmonization of the regulations related to the mentioned areas, as well as provide the suggestions of key elements for constant monitoring and analysis. Successful business operations of the modern large business systems in current market conditions, imply the management of quality resources, necessary for the functioning of the company and successful operational and strategic management, directed towards the realization of the goals of the organization. Older concepts, which once implied the classical term of management and organization of the company, today are no longer adapted to the new commercial, social and economic movements and are subjected to changes.

When we look for a common denominator in large business systems in private and state ownership, through whose improvement an increase of competitive advantage can be achieved, we find – public procurement management. When we speak of public procurement management we should observe it in three ways:

- Public procurement management as a process of management of business operations of public procurements, of the steps, actions or overall public procurement system, in order to achieve goals in accordance with the provisions of law,
- Public procurement management is also defined as a special group of people whose job is to manage the execution of business operations and tasks in the

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<sup>5</sup> Prof. Gustavo Piga, Sarajevo 2015.

<sup>6</sup> Špiler, M.. (2016). **Menadžment javnih nabavki**, Center for procurement management, Belgrade, p. 9

field of public procurements, as well as operations done by other people, in order to achieve more efficiently the foreseen, common goals in accordance with provisions of law.

- Public procurement management is defined as the special scientific area which deals with examining the problem of public procurement management, as well as the special scientific discipline<sup>7</sup>.

Basic start of this research represents the idea on the new perspective of the existing segments of studying and defining of large business systems, as well as defining the new, made paradigms and strategies of their transformation in the current period, through the prism of analysis of the advantages of the upgrading the strategy of public procurements. The challenge of deeper consideration of the business systems, as the group of institutions and mechanisms for delivering and implementation of the decisions which relate to the division, exchange and consumption in one country in a certain time frame, is not to be neglected and represents a great motive. Large business systems must be defined and considered as exceptionally complex category. According to the general theory of the system, every system represents the group of parts which form one functional system, thus connected by the links which make it. Defining the strategies of transformation of large systems is approached in accordance with the factors which have an influence on the system. Here we have primary factors of the production, social and historical factors, as well as the sequence of interconnected active elements. Business system is a part of the large social system which consists of large number of subsystems, therefore there is a large number of connections between the business and other systems. It is open and very dynamic, complex and has a large number of connections, and there are also the return connections. A significant area of research also represents the consideration of tendencies which happen in the world in the field of restructuring the large systems and analysis of strategies of their transformation, not only in the developed countries but also in the countries in transition. Their experience can be of great significance for the continuous changes in Serbian companies. Strategies of company reorganization include a wide field of analysis which imposes numerous dilemmas and requires solving many issues of strategic, organizational, financial and technical nature.

Constant changes in the environment, change in the ownership structure of the companies, their business restructuring and changes in the financial structure are a constituent part of business operations of companies nowadays. Phenomenon of public goods and the process of privatization, towards which the relation was different in different stages of development, shall also represent the challenge which requires a precise strategic defining. This issue becomes especially emphasized today, especially in countries in transition. Since Serbia is currently in the phase of general transition and anticipation of the final stage of process of transformation of social, state, i.e. public into private assets, this issue gains its significance. The consequences of the privatization should be analyzed in detail at different levels, but also to mark very precisely the negative effects. Therefore it is clear, how complex it is to reach and point to all the aspects of public goods and especially organizations owned by the state, as well as the

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<sup>7</sup> Špiler, M.. (2016). **Menadžment javnih nabavki**, Center for procurement management, Belgrade, p. 10

transformation of the companies which are entrusted with the management of the goods. Having in mind the specificity of the situation in which the companies in Serbia are, and which is characterized by general insolvency, losses, vulnerability of existence of majority of companies, this problematics gains significance and actuality.

## **Uncertainty and risk of poor choice and not matching the strategy to the concept of public procurements**

If we start from the previously mentioned fact that 20% GDP of European Union relates to business operations involved with public procurements, as well as to the fact that this area is not at the adequate level theoretically and scientifically, and that it is also not determined practically to a great extent, it is obvious that there is the need for further examination of this field. Generally accepted attitude that one should influence, in all possible ways, the decrease of corruption and obtaining the best prices and quality of the goods, services and works, which are procured by the state, has contributed to the development of the system of public procurements in the entire world. However, despite that for example the Government of the USA spends around 15 to 20 percent of their GDP to the contracts for the goods and services, there is still more space to improve these procedures<sup>8</sup>. Therefore, authors in this area try to define the way of functioning of the public procurement system, but public procurement in general, searching for the best ways of improvement of the profitability of the procurement system. By taking the multidisciplinary approach, one should be focused on the managerial, economic, political and legal aspects, when defining this problematics. In order to achieve the best results, one should analyze the conceptual framework, as well as the suggestions and the reforms which occur in certain countries which apply the same or similar systems, based on what, from the legal aspect, we can apply the knowledge on creating the individual strategies. It should be emphasized that public procurements did not find their application only in the countries of the European Union, but also in the USA, China, South Africa, Cambodia, Uganda etc.<sup>9</sup>.

Having in mind these data, it is clear that while defining the new strategic option, which the management plans to apply in a large business system, there is a common thread – public procurement management, as a way to prevent the uncertainty and loss. Even though they are used as synonyms, because of their significance regarding this subject, it is necessary to explain that relation between the risk and uncertainty. Namely, uncertainty relates to the state which characterizes the possibility of some event happening or not. So, there is not enough knowledge about the event itself, whether it will happen or not. Uncertainty is the opposite state of the state of certainty, in which state there is knowledge and certainty on whether a certain event shall happen or not. So, for example, certain events are unattainable (uncertain), the probability is equal to zero, while certain events have the probability of happening equal to 1. In terminology

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<sup>8</sup> Khi V. Thai: *International Handbook of Public Procurement*, Florida Atlantic University, Boca Raton, USA Louisiana State University, Baton Rouge, 2008.

<sup>9</sup> Špiler, M.. (2016). **Menadžment javnih nabavki**, Center for procurement management, Belgrade, p. 10

(scientific approach to probability) the uncertainty means that the probability is estimated between 0 and 1. That is why certain authors equate the uncertainty and risk. In other words, they talk about the uncertainty and the subjective and objective risk. The existence of risk or the set of circumstances in which a loss can happen, creates the uncertainty for an individual who recognizes risk. Assurance of the individual, or the absence of the assurance regarding a certain state can but not necessarily be equal to the real state. Subjective risk is defined as individual understanding of risk, or as uncertainty based on the individual mental understanding of risk or individual understanding of risk by the managers. Objective risk is called the degree of risk and it is defined as relative deviation of the real from the expected loss.

The probability of material loss during inadequate strategic decision, as well as poor application of the strategy, is tightly connected to the notion of risk. Namely, the probability of loss is most often defined as probability that a certain unfortunate event shall happen. Objective probability of loss represents long-term relative frequency of some accidental event based on the assumptions of endless number of observations and unchanged outcome (basic) conditions. Subjective probability represents individual personal assessment of the probability of realization of loss (damage). Subjective probability requires incongruity with the objective probability.

Public procurement law represents a constituent part of legislation, of not only the members of European Union, as well as other countries which tend to gain membership in the Union, but also of all the modern democratic countries. Still, the fact that they delivered the Public procurement law, does not liberate them of responsibility of application of the same. This mentioned application and the conducting of the Public procurement law, represents a problematic segment, because even after the Country delivers the laws, their adequate application often remains inadequately conducted, which is, to a great extent, a case with the Public procurement law. The mentioned fact represents a great problem, because the list of interested parties, the so-called stakeholders, in this area is large. Therefore the basic task of the managers of the large business system, is to incorporate all aspects of the public procurement system, i.e. to plan, organize and control the system of public procurements they manage. In this sense, organization implies arranging, coordination and management of overall relations in the process of public procurements, in order to realize goals in the most successful way and in accordance with the provisions of the law<sup>10</sup>.

## Choice of business strategy of large business systems

Based on the set problem, the goal of the research is the choice of adequate transformation strategy and the acquiring of conditions for the best possible functioning, especially of large business systems and the purchaser in the dynamic environment. It is necessary to contribute, to a great extent, to the creation of conditions for future successful business operations, and eventually the growth of the company, but also to assess the effects of the change in productivity, employment and expenses of labor,

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<sup>10</sup> Špiler, M. (2016). **Menadžment javnih nabavki**, Center for procurement management, Belgrade, p. 12

which shall, in the future period, happen in Serbian but also in other companies, with all limitations which the legislative framework bears, especially in the part of conducting the public procurements, which is the subject of this paper. In that sense, it is important to define what are the elements of legislative framework, not only of the public procurements, but also any other field. It includes the laws, provisions, decisions and rulebooks. Besides the Public procurement law<sup>11</sup>, which arranges public procurements in the Republic of Serbia in a systematic way, the legislative framework also includes laws which apply to the public procurements, such as: Budget system law<sup>12</sup>, Law on Budget of the Republic of Serbia, Law on public enterprises<sup>13</sup>, Law on obligations, Law on administrative procedures<sup>14</sup>, special laws which define the areas within which the subject of the procurement is, such as: Law on Planning and Construction, the Law on railways, the Law on energy, Law on insurance, Law on financial leasing, Sports law, Law on postal services, Tourism law and other laws<sup>15</sup>.

Having in mind the mentioned laws, it is undoubtable why the conducting of public procurements is complex to such a great extent, but also the standpoint which imposes itself is that by conquering this problematics a vast possibility is opened for the creation of the competitive advantage of the company, regardless of the legal form. Also, it is extremely important to look into the segment of covering the potential losses, which can be created in case of selecting a strategy which shall not deliver the results which the management of the company anticipated and wanted.

### **Inability of defining a uniform strategy**

The starting idea of the research of the best business strategy of the large business systems, logically has the starting point in the need to define one, best applied, first among equals – strategy. Still, by analyzing all the applied business strategies in modern economic, as well as science on management and having in mind the abovementioned facts on the dynamics of the environment and modern market conditions, the thesis which imposes itself is that it would be wrong to set one, ideal strategy, applicable to the group or all large business systems. In order to reach the mentioned hypothesis, through strategic analysis or general and special goals of large business systems, analysis of external environment, as well as analysis of internal environment, a theoretical framework is created for formulation of the strategy at the level of business unit, and then at the level of the company, in order to obtain the preconditions for formulating the strategy of a large business system or, in perspective international strategy or the strategy of digital business etc. All of this represents the precondition for the implementation of the strategy in a large business system, which includes: strategic control and corporate management, creation of effective organizational design, creation of learning organization and ethical

<sup>11</sup> „Official gazette of RS“, no. 124/12, 14/15 and 68/15

<sup>12</sup> „Official gazette of RS“, no. 54/09, 73/10, 101/10, 101/11, 93/12, 62/13, 63/13 and 108/13

<sup>13</sup> „Official gazette of RS“, number 119/12

<sup>14</sup> „Official gazette of FRJ“, no. 33/97, 31/01 and „Official gazette of RS“, number 30/10

<sup>15</sup> Mitrović – Žitko, N., Špiler, M. (2015.). *Javne naabavke u Republici Srbiji*, IEP, Belgrade, p. 54.

organization, but also the creation of new business ventures. But in order to achieve the implementation, it is necessary to set the strategic paradigm. In the best possible way in accordance with the needs and possibilities of a business system. It is clear that depending on the degree of risk and the level of the change which is brought by the strategic choice, we define the mentioned level of risk i.e. security<sup>16</sup>.

The significance of the document Public Procurement Development Strategy in the Republic of Serbia, delivered by the Government of the Republic of Serbia for the period from 2014. to 2018., should be added to this analysis. The strategy itself is based on the standpoint that a well arranged and unique public procurement system provides the conditions for free action of the competition among the bidders<sup>17</sup>. Free competition enables the state to, under the most favorable conditions, procure goods, services and works of the necessary quality and by doing so, in the most economical way, to use the money of the tax payers (“value for money”). In such a way significant savings are made and it is enabled for the saved means to be used for the increase of the quantity and quality of services which the state provides to the citizens, which improves the standard of living. Strategic goals of the public procurement reform are: creation and development of a unique system of public procurements in the Republic of Serbia, strengthening of the competition at the public procurement market, decrease in irregularities in the public procurement system, increase in the economy and efficiency of public procurements, promoting and encouraging the ecological and social aspect in public procurements, share of small and medium enterprises and encouraging of innovation, complete harmonization of domestic regulations with the directives and other acts of the European Union (hereinafter: EU) in the area of public procurements and their complete conducting in practice.

Strategic defining and source of adequate strategic option in the dynamic environment, represent the essential decision for the business of the purchaser and bidder, which is delivered after the comprehensive analysis. Basic strategic options in large business systems can be divided in so-called defensive, reactive and proactive strategies, or in three so-called “strategic front”. Depending on the strategic source, i.e. strategy which the company shall apply, we shall define the risks and threats, and in accordance with that we shall consider the forms and height of the insurance of the assets of business system.

The lowest risks are brought by the strategies based on the smallest changes, and those are defensive strategic options. Defensive strategies include: status-quo strategies, strategies of minimum growth, pause strategy, caution strategy, strategy of expense leadership, differentiation strategy and focusing strategy. These are strategic options with the defensive connotation: narrowing, disinvestment and liquidation. Large systems are forced to apply defensive strategies in the period of recession, crisis but also when the company faces the problems of liquidity it is necessary to strengthen the working capital and when the roots to the problem are deeper the side activities are stopped, but also in the situations when the management assesses that it wants to “stop” at the existing level

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<sup>16</sup> Špiler, M. (2014.), *The importance of the Ensuring of Implementation of Strategic Management in Large Business Systems in Dynamic Environment*, Versicherungsgeschichte Österreichs, Wien

<sup>17</sup> Ćurčić, N., Muhović, A., & Jovanović, Z. (2013.) *Konkurentnost firme kao ishodište efikasnog sistema motivisanja zaposlenih*. Ekonomika, vol.59 (4), 203-212.



of development. These strategies are absolutely most applicable to the organizations owned by the state, but also to the largest number of large business systems<sup>18</sup>.

If, in the longer time interval, the business results are not improved in a large business system, a “recovery” has to be done by internal efforts, often with the support of the banks and eventually of the state. The so-called secondary strategic front, or reactive strategies, includes: downsizing<sup>19</sup>, upsizing<sup>20</sup>, downscoping<sup>21</sup>, disinvestment strategies, strategies of collecting profit or strategies of liquidation of large systems.

These are the strategic options which carry a larger level of risk and therefore each of the options should be considered individually, in order for the decision on the need and the level of security to be evaluated as adequately as possible and delivered in the right way. This strategic modality, refers to the situation when the management is satisfied with the business results, so it opts for a stable strategic option, with the elements of the constant growth. Moreover, it reacts to the changes in the environment and adapts to them, because logically, every year it is expected at least a similar growth rate in the same business areas (mostly same products at the same market). Proactive strategies include the so-called “third front” and include the strategies of vertical integration, diversification, strategic option of the turn etc. The mentioned strategic options are connected to the changes motivated by the desire of the management of the large system to proactively react and prevents potential situations, i.e. reacts in advance. Firstly, this approach refers to the potential diversification, as the strategic option represents the attractive decision, but also the numerous limitations connected to its conducting, especially in large systems. Higher degree of diversification – linearly carries the higher degree of risk of consequences of thus conducted strategic decision. The mentioned strategic models could be applied more realistically in organizations from the private sector.

Still, comprehensively analyzing the problem, we should emphasize that the essence of setting the adequate strategic framework in a large business system, is usually based on the assumption that there is one best applicable strategy model, for the observed research area. All abovementioned strategies can be applied in business operations of the large business systems, but after the comprehensive analysis, none of them can be selected and defined as – first among equals. Instead, a large business system, due to its complexity, but also the environment in which the operations are conducted nowadays, should opt for a compromise solution and alternative strategic option, which shall include the best from all previously mentioned. Basic thesis, in that sense, lies in suggesting the consistency of incremental “step-by-step” changes which the large business system applies depending on the situation which it is in. Large business systems are slow and huge organizations, so it is practically impossible to impose one strategy and to apply it, not to all the large, but also to the one large business system and all its parts. Due to its size and complexity, large companies cannot be suggested to “detour” from the course in certain direction, because such huge structures can be potentially destroyed by it. In

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<sup>18</sup> Špiler M.: *Strategijski menadžment velikih poslovnih sistema*, Tronik dizajn, Belgrade, 2012.

<sup>19</sup> “downsizing” strategy

<sup>20</sup> “upsizing” strategy

<sup>21</sup> Downscoping strategy

addition to this there is also the awareness on the potential damage necessary for the height of the insurance premium, which grows analogously to the choice of the more radical strategic option. Basic starting point lies in the fact that the large companies must not be advised to use one – uniform strategy for all. Instead, large companies, just like large ocean liners, as is explained on one example, must constantly analyze the environment, strategically adapt to it and through „step-by-step“, incremental changes, change and adapt to the dynamic environment which they are a part of.

Large systems, i.e. companies shall, according to the situation they are in, within business politics for the upcoming period, business they do, level of risk which is threatening from the internal and external environment (and which should be covered by the insurance policy) etc., define i.e. adopt and apply, the transformation strategy which is closest to the company. Of course, here we are not questioning the need for constant, at least incremental changes within the organization. In accordance with the general hypothesis, there are also the separate ones, which logically come out of the general and based on the following assumptions: constancy of the transformational process is caused and initiated by the changes from the environment, but also the internal need for the improvements at all levels. Large business system can wait for the external changes and events, but instead, it is more desirable to react proactively and to meet the changes in the environment, instead to wait for the consequences of those changes. Pursuant to this it shall define the best applicable transformation strategy. Within this paper we defined a large number of differently organized transformation strategies. It is clear that they are different to a greater or smaller extent. This is why their results cannot be equal, i.e. cannot bring the same level of changes in the company. The idea of this paper is to define, in the best possible way, rate and present the relevant strategies, out of which the company should choose the most favorable one in accordance with its own scope of activities and business policy, which has been previously defined.

It is important to mention that between the quality of selection of a strategy and transformation there is a high level of correlation and that by using the appropriate strategy one can conduct a successful transformation of large business systems in conditions of dynamic, i.e. permanently revolutionary environment. Therefore it is important to analyze, in detail, a large number of the mentioned transformation strategies and their application to the large business systems, and by that to prove that there is a large number of transformation strategies (of different levels) which are applicable to large business systems, and the management of large systems should choose the best one at a certain time, i.e. most applicable one and most appropriate strategy.

In accordance with the mentioned hypothesis, we should emphasize the following as well, which is based on the assumption that by studying certain strategic models in the developed market economies, but also in the countries in transition, at the example of large business systems, one can conceive a model of successful strategy of large business systems in Serbia. From the mentioned hypothesis of the research, a conclusion is created, that large business systems, i.e. companies, in accordance with the situation which they are in, within the business policy for the upcoming period, according to the business they conduct etc., that they should define, i.e. adopt and apply transformation strategy which is most logical and appropriate at that moment, of course not questioning the needs for constant, incremental (but also big) changes within the organization.

It is necessary to emphasize again the significance of the public sector, i.e. the fact that a large number of large business systems operates in the public sector, i.e. public companies still make a great part of large business systems in our country. Interest in economic and business aspects of actions of public sector is growing in the world. For Serbia and the environment, economic domain of movements in public sector has a special meaning, knowing the fact that public sector is handling almost the half of gross domestic product and by its behavior and measures it directs the decisions in the sector of economics and population sector. The issue is additionally sharpened by the insufficient economic growth, the issue of sustainability of trends which nowadays support growth (personal consumption and state infrastructural investments) and politically conditioned delays in getting closer to the European Union ( which itself is entering a crisis with the unrealistic outcome).

Analyzing the action model of the domestic public sector, monitoring the positive world experiences and their cautious adaptation to the domestic needs is a crucial issue.

## Conclusion

Until 2002 the Republic of Serbia, did not have the law which would arrange the field of public procurements in a wholesome way for all procurements conducted by the government entities and organizations, institutions, public institutions and other entities, which, in the context of Law which arranges the budget system, are considered to be direct or indirect users of budget means. So far, this issue of procurement of goods, services or execution of works has either not been normatively arranged at all or that regulating has been partial and incomplete and it referred only to the individual procurements, so that the choice of the bidders depended on the discretionary decisions of purchasers, more accurately, on the discretionary decisions of the competent authority, which had a consequence of inefficient usage of public means and creation of favorable environment for the appearance of corruption. Long-term consequences of such a state are the procurements of goods whose technology is outdated, i.e. overcome in the developed countries, disinterest of the quality foreign bidders to offer their products and services in such circumstances and due to absence of precise rules which would provide healthy competence, i.e. equality of all bidders, as well as public in the procedure of selection of the best among them. Further consequences would be delay in economic development, delay in advancement of economic international relations, saturation of the market with goods of insufficient quality, insufficient presence of customer service maintenance of such goods, and in the end, weakening of the economic power of the population<sup>22</sup>.

Introducing the Public procurement law should be followed by the development of public procurement management, which appears, as academic field, only in the previous few years as a module of master programs at several faculties, with the nonexistence of the textbooks which would describe this field in the right way. On the other hand, the development of public procurement management as a management model, also does not follow the modern business flows to a right extent, so the elements of planning, organizing and control of public procurements are organized and treated in a way which

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<sup>22</sup> Nadežda Mitrović Žitko, Dr Marko Špiler – Public procurements in the Republic of Serbia

would have to be better. Pursuant to the mentioned reasons, we should raise the level of public procurement management in Serbia, based on the international experience, but also on the significant experience of the domestic professionals.

This paper represents the attempt to approach, in a new way, this issue of creating strategies of large business systems, but also the role of public procurement management in part of strategic decision making. As the time passes and the conditions in which business is done are changing, new definitions are necessary as well as versions and suggestions of business system strategies. Changes are inevitable and real. Therefore the management must, in adequate way, react to them and when the need occurs to adapt to them or oppose them, but also to decrease the potential consequences and negative effects. That is why this paper, like other similar, should contribute, in the quality way, to the development of theoretical aspect of strategic management as well as the public procurement management, related firstly to the purchasers and bidders but also to the economic and management science in general. The result of the research should relate to the contribution to the management and economic science in general, especially to the strategic management, as its field. Finally the contribution should represent the preparation of the professional public according to the results of the mentioned analysis, elaboration with the goal of modeling and performing certain elements for the necessary harmonization of the legislation in this area, as well as the suggestion of key elements for its constant monitoring and analysis.

By defining the best applicable strategy in a large business system, we search for the most adequate strategic response, i.e. strategy which shall be the best response to market challenges but also to the constant business, by introducing the institutes regulated by Public procurement law, but also all opportunities provided by the its application. In that sense, the following quote is appropriate: “Public finance must be healthy, budget must be balanced, public debt must be decreased, we must fight the arrogance of state administration and monitor it, help to other countries must be reduced in order for Rome not to go bankrupt, and the people must learn to work instead of living of welfare”. These words had been written by Cicero, 55 years before Jesus Christ came to this world. So, the crisis is lasting for 2065 and the odds are that it shall last for at least the same number of years. That is why business systems must realize that the “constancy” is the most important word while defining the strategy of their own transformation and they should create their own policy accordingly.

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