

## SERVICE BUSINESS AND ENTREPRENEURSHIP

**Mikić D. Sanja**

Faculty of Business Studies and Law, Belgrade, Serbia

sanja.mikic@fbsp.edu.rs

**Abstract:** *Creative transformation is necessary in order to resolve the current crisis in the world. We need synergistic effects of market structure and economic integration especially in the area of small and medium enterprises in relation to services. In the era of the modern industrial world, service business in the form of modern entrepreneurship is coming to the fore. The result of the accumulated deformations of the last century and the immediate preceding period, i.e. the first decade of the new century, manifested as a general crisis of international economic relations between the so-called debt crisis, environmental crisis, population explosion, scarcity of food, raw materials, energy and the crisis of morality and human values. The main cause is laziness and lack of discipline at the individual and the general level of society and ignorance. The process of strengthening the company through the data exploitation and information to be systematized in a particular scientific discipline largely leads to prosperity. Globalization, as a process under the influence of technology is changing the world and the very minds of the people on the stage of the world economy regarding the life and work. SMEs are becoming the economic power base and the concrete expression of micro-economic effects at the global level and strengthening their competitiveness has become one of the leading goals of economic structures around the world.*

**Keywords:** *integration, entrepreneurship, technology, ethics, competition, culture*

### 1. INTRODUCTION

„... It is finished with a programmable, cold and practical man of the West, a new person is here...”<sup>1</sup> New man with an open mind and heart with a steel will to change the world and ourselves making us more creative and fruitful, for ours and general welfare. Structural changes due to the repercussions that global crisis has had on the economic, political, social and cultural development of all countries around the world, according to its abilities was accompanied by a radical change in the life and work of the contemporary man. Computer revolution, economic globalization and regionalization become leitmotiv of every debate about today's development in all spheres, ranging from the political, legal and economic to cultural and military.

Economic and industrial policies are directed in accordance with the millennium development goals that have been reached at the UN summit to the overall economic revitalization and strengthening of development and human resources. The birth of a new

<sup>1</sup> Milan, D., Janković, Sveti nikolaj Velimirović, od rođenja do kanonizacije, Valjevo print, Valjevo, 2004. str. 12

economic model marks the birth of a new economic era while entrepreneurship occupies a central place.

Deductive reasoning method is gaining in importance particularly if one bears in mind lag in which Serbia has been for a long time, depending on which development field we are talking about.

It would be necessary to channel more resources into new technologies and service industry. The future lies in innovative and science based industries.

Shifts in the global economy dictate the introduction of environmentally friendly technologies for production of energy (biomass, wind and solar energy). The priority of each country is economic growth and employment, but in accordance with the Kyoto Protocol.

## 2. SERVICE ENTREPRENEURSHIP

Contemporary economic trends impose some new concepts such as service entrepreneurship. Service entrepreneurship as a cultural and economic phenomenon is characterized by a focus on profit in relation to economic processes, risk management, innovation and resourcefulness. The main attribute of the service of entrepreneurship is innovation. The scientific response to the economic transformation of reality, i.e. in practice, affects development of creative, innovative and constructive entrepreneurship today. The new system of labor appears so traditional methods of work are kept only as examples of the former economic theory and practice.

Power and knowledge are money and creativity linked with appropriate market structures. Otherwise, there is a very fertile ground for the implementation of innovative ideas into the economy, where the entrepreneur becomes the main driver of the development momentum. Further improvement and development of the business concept, it employs new people, thus expanding the range of activities, which continue to influence all other streams. Freedom of thought and creation provide an opportunity for self-affirmation, but also open up vast limits of growth and development in all fields. In addition, freedom of thought enables us to bring modern decisions in conjunction with the global trends but also in collaboration with colleagues from the given field which information technology allows us. Therefore, creative entrepreneurship is proactively, which boost market impact as greater freedom in the design of business conditions, establishing connections and choice of occupation. In addition, the market is becoming more flexible to changes, innovations, outsourcing, etc.

Service based business involves the creation of customer needs through marketing channels and direct contact. Successful business provides a good profit representing a future investment. Social networks, on the other hand provide a new way, a new, virtual environment that accelerates the process of making a profit as well as the very quality and quantity of profits.

Innovation is a special tool for entrepreneurship and thus affects the formation of creative entrepreneurship:<sup>2</sup>

1. Generating innovative ideas
2. The selection of the most promising ideas
3. Detailed elaboration of expert evaluation

---

<sup>2</sup> Chesnokov, V., Creative entrepreneurship: Nature and subject matter, International journal of economics and law, Vol. 1, No. 3, 2011, str. 6–12

4. Elaboration of a business plan in relation to the selected ideas
5. Expert evaluation of the business plan
6. Pilot products and services and testing the market conditions
7. Harmonization of product design and market promotion
8. Initiation of mass-production and its promotion in accordance with the aligned design on the market

There is a social entrepreneurship, political entrepreneurship, and scientific entrepreneurship.

Social entrepreneurship is the process of monitoring innovative solutions to solve social problems. Specifically, social entrepreneurship accepts the mission to create and maintain social values. The entrepreneur accepts the mission of rational usage of resources in order to achieve the above-mentioned objective. Of course, the organization is a framework for achieving specific results in accordance with the possibilities. Business entrepreneurship is reflected through the prism of profitability and return on inputs through crystallization of the results. Social entrepreneurship takes into account the positive repercussions for society as a type of ecological, cultural and social feedback, as well as non-profit reasons. Profit may be a good reason for some companies and enterprises. The world is talking about corporate social entrepreneurship. Notable names of social entrepreneurship are William „Bill” Drayton, Michael Young, Daniel Bell,... Bill Drayton founded Ashoka: Social Innovators, a non-profit organization supporting social entrepreneurship in 1981. The organization operates in 70 countries and brings together over 2,000 of social entrepreneurs. British sociologist Michael Young (August 9, 1915- January 14, 2002) was the chief promoter of entrepreneurship in the last century until the nineties. He introduces the concept of the so-called meritocracy (political philosophy according to which individual rights must be deserved). It also consider protagonist of social reform and as founder of a number of important and socially beneficial organizations (consumer associations, the National Consumer Council, the Open University and National College and a business based on telephonic interpretation. Daniel Bell is the founder of a large number of organizations including The School for Social Entrepreneurs.

Political entrepreneurship is reflected in the functioning of political parties, i.e. the realization of benefits, subsidies and other benefits through the party by the businesspersons, its members.

Scientific entrepreneurship describes the ability to identify or create opportunities and taking action aimed at the realization of innovative knowledge and services. The goal of the scientific enterprise is not to make profit but to achieve more efficient and fruitful business. Professors, researchers and non-profit educational institutions find their refuge in scientific entrepreneurship.

### 3. MAN AND SCIENCE

Today's man is different from that at the beginning of the last century by the fact it is using more information technologies and lives quickly, trying to catch up with the upcoming trends while preserving the foundation upon which the rest of humanity is based on. „In a democratic society such it is today, there are a number of limitations. Ignoring these

limitations regarding the science includes giving wrong recommendations and completely authentic violation of the profession”<sup>3</sup>

The main resource for the development of the economy is the man who will carry out fundamental changes at the beginning of the 21<sup>st</sup> century in the fields of science, education and technology. In order to survive, the company must take into account the energy, namely, the survival of modern society depends on reliable energy supply, industrial production, transportation of people, goods and services and transfer of information and communication. The question is – how to direct knowledge and intellectual resources to provide technology solutions that will enable us to achieve the desired growth and competitiveness. It is necessary to invest as much as possible in research, innovation, and creative activities that will stimulate the creation.

To study the use of modern technologies in order to thoroughly approach to this „problem”, it is recommendable to create a special institute. The main activity of the institute would be to create professional reports in certain technology areas in the context of encouraging entrepreneurship and science. „It could be said that the history of science consists in refuting insights that were previously regarded as inviolable...”<sup>4</sup> To engage a number of elite technological experts in areas including IKT and thereby strengthen their potential as a whole. Strengthening of competitiveness provides the following benefits:

- Strategic geographical position,
- Favorable investment climate and business
- Supportive fiscal and financial system,
- Highly-skilled workforce,
- Modern legal framework,
- Infrastructure,
- Regional accessibility
- Telecommunication systems and numerous cultural, entertainment, sporting and recreational facilities

According to the words of professor Madžar<sup>5</sup>, we can conclude that, „Technological progress is the process of spreading sets and changing their composition, at the principled level at which there are defined and productive meetings and abstract technology as a way of articulating their properties, the introduction of technical progresses doesn't change the analytical based on which the technology is modeled. There are other ways of geometric displaying of alternative technologies. They are mostly confined to formalized presentation of alternatives through the isoquant. When it comes to technical progress, the most common is moving isoquant toward the origin. This means that generally no need to articulate in detail all sub-variants, the same volume of production is encourages with the involvement or spending of all or smaller amount of resources.”

---

<sup>3</sup> LJ. Madžar, Iskušnja ekonomske politike u Srbiji, Sl. Glasnik, Beograd, 2011., str. 215.

<sup>4</sup> LJ. Madžar, Iskušnja ekonomske politike u Srbiji, Sl. Glasnik, Beograd, 2011., str. 222.

<sup>5</sup> Lj., Madžar, Planerska hrestomatija, Teorija proizvodnje i privrednog rasta, I tom, Savezni sekretarijat za razvoj nauke, Beograd, 2002. Str. 340–343.

#### 4. IMPLEMENTATION OF INNOVATIONS IN SERVICE ENTREPRENEURSHIP

Technological changes are directly correlated with the technological cycle that represents a cycle that begins with the advent of new technology and ends when that technology reaches its ultimate limits and is replaced with a new one. Almost all of the technological inventions follow a typical pattern of innovation of the „S” letter. It is well known that organizations cannot afford to provide a competitive advantage if they have a distinctive competence that allows them to make, do or perform something better than their competitors perform. Competitive advantage becomes sustainable if other companies of given distinctive competence cannot repeat the same. Technological competition can provide the same benefits as those of distinctive competence. In order to survive, the company needs to follow the course of their own innovative ideas and products, so-called innovative flow.

Innovative flow is defined as patterns of innovation that eventually turns and that can create a sustainable competitive advantage. Innovative flow begins with technological discontinuity, when a scientific discovery or a unique combination of existing technologies provide a major breakthrough in performance or functionality followed by revolutionary changes characterized by replacement of technology and competition in design. Competing in the design is in fact competition between old and new technologies in the establishment of new standards or dominant designs. The dominant design is a new technological process that becomes accepted standard on the market. In that way, incremental i.e. gradual changes alternate with revolutionary changes. Incremental change is the stage of technological cycle in which companies innovate by reducing costs and improving the functionality and performance of the dominant technological design.

One of the implications of technological innovation cycles and trends is a multi – canal era in banking where banks are trying to create valuable relationships with clients knowing equally good how to manage innovation in two very different situations – in the process of revolutionary changes as well as in the phase of incremental changes. Overall banking experience involves the processing of large data to identify customer needs in order to create a strategy for identifying them. There are four pillars of modern banking: the next generation branches, mobile banking, social networks and video (CISCO).

Innovation comes from great ideas so it is important to manage the sources of innovation. The sources of innovation are people, means managing people and everything that is connected to the people, i.e., working environment, so flow of ideas is becoming crucial. Creative working environment requires support (Adobe, the company that produces software for business and publishing, every three months organize the presentation of ideas, where presenters get ten minutes to present one of their ideas for the production, packaging, technology, etc.).

In addition to support, the freedom of thought and decision-making that is formed under the influence of responsibility is also important, freedom means having autonomy in daily work and a sense of personal responsibility and control over its own work and ideas. Freedom is a prerequisite for successful defining of the ideas.

When it comes to managing innovation, it is necessary to mention the experiential approach to managing innovation in the process of revolutionary changes and access to summarizing. Companies that implement an experiential approach to innovation in the

case of revolutionary changes show excellent results. Experiential approach to innovation is an approach based on the assumption that the environment is very uncertain and we should use intuition, flexible options and direct experience to reduce uncertainty and accelerate learning and understanding.

If wants to improve the design, company is working on the prototype of the service or product, then the model is tested to verify the design, functionality and reliability i.e. quality. Testing is a systematic comparison of different options for the design. So-called multi-functional teams are still of crucial importance. Multifunctional teams are working teams composed of people from different areas. These teams allow faster learning and understanding of phenomena on the market as well as mastering techniques to win the market. The most important thing is the fact that multifunctional teams accelerate the process of innovation.

The approach based on summarization assumes that innovation is a predictable process, that incremental innovation can be planned using a series of steps while the summarization of these steps can speed up innovation. Planning incremental innovation is most often based on the idea of generational change. Generational change is change based on incremental improvements of dominant technological designs that have been designed to allow improved technology to be fully compatible with older technology. Implementation of innovation should serve as a good example of achieving competitiveness.

Innovations are the intangible capital for the growth and development of a service enterprise with the positive trend of research and development projects.<sup>6</sup> Joseph Stiglitz, American Nobel laureate in economics and professor of macroeconomics at Columbia University, believes that we need new ideas for a new world. The European Commission has published a White Paper citing that the role of market forces will encourage operators to reduce their costs, improve service quality and increase innovation.<sup>7</sup> William Baumol in his book „The Free-Market Innovation Machine,” pointed out that there are reasons for optimism for the future and it is because innovation creates a new one and thus created an innovative flywheel. For example, computer has created the need for a mouse, a dirigible created the need for a parachute, etc. a competition stimulates innovation while innovation stimulates competition.<sup>8</sup>

## 5. ENVIRONMENT AND CULTURE OF SERVICE ENTREPRENEURSHIP

An important business factor is the general environment, both internally and externally. External (factors and events occur outside the company who can act or affect on it), an environment that is used as an independent variable can be universal, variable and specific. General environment is characterized by social and historical components, technological components and business performance. Specific environments are customers, competitors, suppliers, regulations, and lobby. What is important to note is the more favorable climate for the realization of the loan. Better information on the individual and cluster level.

---

<sup>6</sup> New Building Blocks for Jobs and Economic Growth: Intangible Assets as Sources of Increased Productivity and Enterprise Value, Report of a Conference by Athena Alliance, 2011.

<sup>7</sup> Theo Hitris, *Ekonomika EU*, Institut z aekonomiku i finansije, Beograd, 2003, str. 263.

<sup>8</sup> Vilijam Baumol, *Inovativna mašinerija slobodnog tržišta, analiza čudesnog rasta u kapitalizmu*, Fondacija postdiplomskih studija, Preduzetnička ekonomija, Podgorica, 2006, str. 78

The internal environment refers to the events and trends that affect the organization of the management, employees and the organizational culture. Organizational culture encompasses values, beliefs, attitudes that are common to all members of an organization. Favorable environment also influences the creativity and innovation of employees.

On the other hand, the business culture has high impact. Key aspects of successful organizational culture are adaptability, employee participation, vision, strong individual cultures. Adaptability is the ability to notice changes in the environment of the organization and to timely react. Employee participation is high in successful corporations, for example, Genenkor companies allowed their employees to influence even the architectural design. The most important values of culture in the service business are success and respect. It is necessary that the organization operate as a living organism, because in that way, all errors will be reduced to a minimum. Consistent organizational culture means that the company actively defines and conveys organizational values, beliefs and attitudes.

Basic levels of organizational culture are apparent (symbolic characteristics, the dress code, the behavior of workers and managers), what you hear (what people say, how decisions are made and explained) what is believed (widely accepted beliefs hidden deep below the surface, rarely discussed). Introducing the new behavior is the process during which the managers and employees seek to adopt new behaviors that constitute the basis and symbol of a new organizational culture that the company wants to create. One of the main ways of changing the organizational culture is through observable characteristics (design, office design, and the dress code of the company, benefits and special offers that the company provides to employees).

In order for companies to be successful, it is necessary to incorporate change management in their working code and the ability to create and capture new technology and work processes. Needed transformation involves the following steps: re-engineering, restructuring, quality programming, changing the culture and way of life but also mergers of companies (e.g. Nokia and Siemens). Reengineering has become a panacea that in times of crisis was attributed to companies in order to survive. Today, all areas are closely related. Strong institutions in the globalization process are the basis of prosperity and economic development in the world and a successful engineering. Authors who are skeptical regarding the economic globalization argue that the process should be viewed through the categories of trans-national corporations based in the U.S., Japan and Europe.

The crisis is an inevitable phase of the business cycle in which its overcoming is conditional on greater responsibility and freedom of decision and action under the influence of technological progress and purposeful economic policy. New knowledge and new competitive capabilities are necessary to handle obstacles to integration and prosperity. It is necessary to eliminate errors in the theoretical models, keeping in mind that economic issues are now completely open. Linking capacity home should provide a stronger and more stable foundation for economic recovery through engineering and re-engineering of the economy.

The social responsibility is an obligation of the company to pursue policies, make decisions and take actions that benefit society. Social responsibility can be economic, legal, ethical and discretionary. Economic responsibility is an expectation that the company will make a profit by producing valuable products or services in a sustainable way. Legal liability is the social responsibility of the company to comply with state laws and regulations. At the end, the ethical responsibility is the social responsibility of companies that

its business activities do not violate accepted principles defining what is right and what is wrong. Discretionary responsibility is an expectation that the company will voluntarily perform a social role that goes beyond its economic, legal and ethical responsibilities. At the beginning of the third millennium, ethics has profiled in a scientific discipline in all areas including the economy.

## 6. RESUME

The first thing to do is to set smart goals – these are the specific, measurable, achievable and also realistic and well-timed goals. Creating of a commitment to a goal represent the determination to achieve a certain goal as a matter of good will and character of managers and employees. The action plan is in fact a concrete action, people and resources necessary to achieving a certain goal. Monitoring progress in achieving the goals requires defining close short-term and long-term goals that are primary. Another way to monitor progress is to collect and provide feedback on performance. Maintaining flexibility means planning the multiple options that mean the willingness to invest in many alternative plans, as opposed to traditional planning. In times of interdisciplinarity in all areas, the engineering as well as a comprehensive science that encompasses all others received great importance. It is the same with economic engineering, which in terms of the applied cutting-edge technologies in the implementation of strategic operational functions finds its use in the service entrepreneurship.

## REFERENCES

- [1] Burda, Majkl, Čarls, Viploš, Makroekonomija, Evropski udžbenik, Ekonomski fakultet, Beograd, 2012.
- [2] George, Soros, The new paradigm for financial markets, the credit crisis 2008 and what it means, Perseus books group, Amerika, Fladelfija, 2008.
- [3] Kotler, Philip, John A. Casolione, Chaotics, the business of managing and marketing in the age of turbulence, AMACOM, New York, 2009.
- [4] Doroshenko, Yuri, Somina, Irina, Radosavljević, Života, National innovation system: the fundamental approaches to definition and evaluation, vol.2, International journal of economics and law, 2011.
- [5] Đukić, P., Pavlovski, M., Ekology and society, Ekocentar, Beograd, 1999.
- [6] Ebner, A., Shumpeter and the Schmolter, programm: Integrating Theory and History in the Analysis of Economic Development, Journal of Evolutionary Economics, 2000.
- [7] Iljin, Put duhovne obnove, Logos, Biblioteka ruski Bogotražitelji, Beograd, 1998.
- [8] Jansson, Jan, Owen, Economics of the services, Edward Elgar, USA, 2007.
- [9] Kirzner, I., Entrepreneurial Discovery and the Competitive Market Process: An Austrian Approach, Journal of Economic Literature, Vol. 35, March, 1997.
- [10] Madžar, Lj., Ekonomski potencijali otvorenog društva, Ekonomski anali, No.149–150, 2001.
- [11] McMillan, J., Woodruff, C., The Central Role of Entrepreneurs in Transition Economies, Journal of Economic Perspectives, Vol. 16, No. 3, 2002

- [12] Madžar, Ljubomir, Planerska hrestomatija, Teorija proizvodnje i privrednog rasta, I tom, Savezni sekretarijat za razvoj nauke, Beograd, 2002. Str. 340–343.
- [13] Madžar, LJ., Iskušenja ekonomske politike u Srbiji, Sl. Glasnik, Beograd, 2011., str. 222.
- [14] Marković, Aca, Holistički pristup upravljanju, EPS, Beograd, 2010.
- [15] Mikić, D., Sanja, Ekonomski aspekti ekoloških projekata, Ekonomski pogledi, vol. 2, Ekonomski fakultet, Priština, 2010.
- [16] R. Constanza, The science and management of sustainability, Ecological economics, Columbia university, NY, 2009.
- [17] Radosavljević, M., Radosavljević, D., Somina, I., Inovation and motivation as key success factors, International journal of economics and law, Vol. 1, No.3, Novi Sad, 2011.
- [18] Stiglitz, Joseph, Ekonomija javnog sektora, Ekonomski fakultet, Beograd, 2007.
- [19] Samardžić, Slobodan, Gavrilović – Gagović, Slavica, “Tendencije uslužnog sektora privrede Srbije“, Tržište-Novac-Kapital br. 2, april – jun, 2011.
- [20] Chesnokov, V., Creative entrepreneurship: Nature and subject matter, International journal of economics and law, Vol. 1, No. 3, 2011.