

# The Integration and Requisite Holism of the Enterprises' Governance and Management as Preconditions for Coping with Global Environmental Changes

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*Abstract: The main goal of our research was to determine the modes of governance and management in examined enterprises and to see how well enterprises are prepared to cope with difficult economic conditions caused by the crisis which started in 2008. The presence of advanced modes of management (evolutionarily described as cognitive and integral or integrative management) is the necessary precondition to deal with difficult economic times. The research results show that the more advanced cognitive and integrative modes of management are present to a greater extent in larger enterprises; they are present in smaller enterprises as well, but only to a lesser extent. The research was carried out in Slovenia, a former socialist country and EU member. The findings of our study may also have implications for other countries with a similar make-up.*

*Keywords: enterprise; management; governance; integral management; developmental modes of management*

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## 1 Introduction

The 2008-09 economic downturns [34] have led to reduced potential output growth, rising unemployment and soaring public debt. To recover, countries need to find new and sustainable sources of growth. Countries' economic difficulties came at a time of increasing political pressure to meet various social challenges (ibid), many of which are global in nature (such as climate change) or require global action (health, food security, the growing scarcity of clean water). Such challenges require co-ordinated efforts by countries through supply-side and demand-side interventions. Innovation and coherence in policy interventions is necessary to address these and other problems in an affordable and timely manner (ibid). Important players in national and global economies are enterprises which are prepared differently to cope with difficult economic conditions caused by the

(financial, economic, social, environmental, values, responsibility, etc.) crises begun in 2008.

Due to this crisis as well as to the complex and fast changing global environment, the number of factors a company must consider in any decision become huge, much more complex. Current predictions [56] are that the environment for all organizations will become even more uncertain with every passing year. Therefore, it is very important that enterprisers keep track of (inter)national developments and position them for long-term competitive advantage. "The best prepared" enterprises will survive the recent crisis: creative, able to learn and innovate, and prepared to change itself in many ways if necessary [31, 33, 50, 51, 56]. Paul Laudicina, the president of the international consulting company A. T. Kearny revealed in a recent interview three very important characteristics such enterprises possess [54]. First, they use planning processes which help them to understand the changes in business environment. Second, these companies are capable and ready to take risks, and to do so quickly. Third, these are companies which take seriously the managing of their cash flow and profit so that they are able to invest when they identify an opportunity.

A new benefit for the current and coming generations should also be provided through innovations (see [31]). The radical changes needed in our economies to get out of the current crisis also include innovation in governance and management process (see [50]) toward integration and requisite holism of enterprises' governance and management [1, 2, 3, 4, 20], as well as ethics planning as preconditions for enterprise ethical behaviour [5]. The innovation of planning and management criteria must be oriented towards greater social responsibility and requisite holism [29, 30]. About the needfulness of the responsible enterprise governance and management (process innovation) see [49, 50, 52].

The above stated ideas indicate the importance attached to the manner in which enterprises are governed and managed; this means the presence of adequate governance and management processes, the instruments used (e.g. used of advanced planning methods), and the structure and competencies of decision-makers involved. Different models of management (e.g. strategic management models, models of integral management) have been developed to present what an enterprise should do in terms of governance and management processes, instruments and people involved. Especially, the models of integral management stress the importance of integration and the requisite holism of the enterprise's governance and management (see e.g. [2, 20]).

The main goal of our research is to determine the modes of governance and management in examined enterprises. The research aims to contribute both quantitatively and qualitatively to our understanding of how well enterprises are prepared to cope with difficult economic conditions caused by recent crisis using data from Slovenia, the former socialist country and EU member. The findings of the study may also have implications for other countries with a similar make-up.

We divided our paper into four chapters. Following the introductory chapter, the second chapter briefly discusses the evolutionary stages of management as well as some models of integral management. In the third chapter, the research goals, methodology, sampling and data collection are presented, and the research results are discussed. The last chapter outlines the most significant conclusions for enterprises wishing to survive and cope with complex global environmental changes and suggests direction for future research.

## **2 Theoretical Backgrounds**

In the scientific and professional (business) literature, management has been presented differently from the evolutionary perspective. The early stages of the management evolution are very often described as budgeting, controlling and long-range planning. In later stages progress was made toward the development of business strategic planning, corporate strategic planning and strategic management [2, 18, 55, 56]. The theoretical approaches to schools of thought in strategic management from the integrated strategic management perspective are briefly explained by Criado, Galván-Sánchez, and Suárez-Ortega [9]; for a brief introduction to schools of strategic thought, see for example [16], [48] and [26]. In the last two decades we have been able to observe substantive progress toward the development of integral management. Among those management researchers who foresaw such an evolution of management was also Slovenian researcher and teaching Professor Janko Kralj. He described four major stages in the evolution of management: empirical, rational, cognitive and integrative management [21, 22, 23, 24]. Empirical management is oriented towards the present situation (from hand to mouth) by the autocratic decision-making of an individual who bases decisions on intuition. Rational management considers skills (routine, Taylorism, exceptions) and is characterized by group decision-making where decisions are based on exceptions. Cognitive management is oriented towards knowledge and considers the participative decision-making of enterprises stakeholders. The participative decision-making should be understood in such a way that the responsible person makes the final decision and takes responsibility for it. Integrative management is a higher developmental level of cognitive management, taking into account the growing complexity of changing conditions as well as the changes in science as a whole, consciously searching for multiple objectives (Figure 1).

As the latest stage Kralj reveals integrative management; similarly, some other authors described the latest stage of management evolution as the stage of integral management (e.g. [20]). Different models of integral management have been developed during this latest stage. The models of integral management help to understand management problems in a structured way without losing sight of coherence.

| MODEL<br>FORM                                  | M1<br>EMPIRICAL    | M2<br>RATIONAL                           | M3<br>COGNITIVE                                    | M4<br>INTEGRATIVE                                   |
|--|--------------------|--|--|---|
| <b>Period</b>                                  | before World War I | between the wars                         | during World War II and after                      | beginning in 60s and more developed after 2000      |
| <b>Directed toward</b>                         | crisis             | routine                                  | knowledge  | wisdom  |
| <b>Management technique from theory X to Y</b> | command X          | co-operation X-Y                         | collaboration Y-X                                  | reciprocity Y                                       |
| <b>Dealing with people</b>                     | autocratic         | bureaucratic and/or technocratic         | participative                                      | highly participative                                |
| <b>Importance of decision-maker</b>            | individual         | group                                    | organisation                                       | alliances of individuals and groups in organisation |
| <b>Basis for decision-making</b>               | hunches            | taylorism, routine and natural resources | knowledge and human resources                      | wisdom and congruency                               |
| <b>Technique of decision-making</b>            | intuition          | exception                                | basic objectives                                   | consciously searching for multiple objectives       |
| <b>Organisational form</b>                     | central            | decentralised by functions               | federal decentralisation by autonomous units (SBU) | integrated autonomous units and "constellations"    |

Figure 1

Characteristics of the developmental models of management [21]

They are a picture of how an enterprise performs and are therefore also the most useful frameworks for research and education (see [47]). In Slovenia, one of the earliest and still contemporary/up-to-date/of general application models of integral management is the one developed by Kralj. The author introduced his idea and the results of his research work about the policy-making of an enterprise in the book *Politics and Policy of an Enterprise in a Market Economy* [21]. The organizational policy is understood in a creative sense and the expression "organizational policy" (business policy, the enterprise's policy, corporate policy, etc.) should not be mistaken for the "policy or policies" as they are usually used in literature, in the sense of a general guide to action or procedures and rules. We will discuss in more detail the model of integral management developed by Kralj which also presents the basis for research methodology used in the empirical part of our research. The model is presented in Figure 2.

In the author's integral management model [21], the political or interest behaviour of the stakeholders and the enterprise's philosophy are powerful factors of an enterprise's policy-making. The real background of policy-making and of managing the enterprise policy lies in the interests of its stakeholders and therefore in their interest behaviour. The stakeholders of an enterprise are their owners (shareholders or stockholders) and directors, managers, employees, market and financial participants, public finance institutions, and dependent societal infrastructure, as well as the enterprise itself, the general public, and the state.

|  |  |
|--|--|
| <b>POLITICS OF AN ENTERPRISE</b><br><ul style="list-style-type: none"> <li>• factors of policy</li> </ul>  | <b>POLICY OF AN ENTERPRISE</b><br><ul style="list-style-type: none"> <li>• basic components of policy</li> </ul>   |
| <b>INTEREST INTERWOVEN (POLITICAL) BEHAVIOUR OF THE ENTERPRISES STAKEHOLDERS</b><br><ul style="list-style-type: none"> <li>• Interests of the owners and directors.</li> <li>• Interests of the employees.</li> <li>• Interests of the market stakeholders.</li> <li>• Interests of public fin., soc. infrastructure.</li> <li>• Interests of the management.</li> <li>• Interests of the enterprise itself.</li> <li>• Interests of the public.</li> <li>• Interests of the state.</li> <li>• Interactive influencing and responding.</li> </ul>  | <b>CONCEPTIONS, MISSIONS, PURPOSES AND OBJECTIVES OF THE ENTERPRISE, ITS PARTS AND BUSINESSES</b><br><ul style="list-style-type: none"> <li>• Basic policy: central conception, mission and purposes.</li> <li>• Developmental policy: course of the development (orientation) and developmental basic objectives.</li> <li>• Current policy: current direction and current basic objectives.</li> </ul> |
| <div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 0 auto;">INFLUENCES</div>   | <div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 0 auto;">POSSIBILITIES</div>  |
| <div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 0 auto;">STARTING POINTS</div>  | <div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 0 auto;">ABILITIES</div>  |
| <b>ENTERPRISE'S PHILOSOPHY AND SUBCULTURES</b><br><ul style="list-style-type: none"> <li>• Subcultures and views (general opinion) of the stakeholders influenced by the environment - beliefs, views of life, values: parliamentary democracy, multiplicity of diversity, human rights, legal state, civil society, market economy etc.</li> <li>• Beliefs of the enterprise: opinion about the enterprise, accepted values, standpoints toward people and knowledge, basic concept about operations.</li> <li>• Standpoints of the enterprise's stakeholders: willingness to cooperate, commitment to the enterprise and endeavour to implement them.</li> </ul> | <b>CREATIVE DIRECTING TOWARDS OBJECTIVES OF THE ENTERPRISE</b><br><ul style="list-style-type: none"> <li>• Key areas of enterprise's policy.</li> <li>• Guidance (policies) and rules of objectives oriented conduct.</li> <li>• Strategic decision-making (strategies).</li> <li>• Congruent structures.</li> </ul>   |
| <b>EXECUTING THE ENTERPRISE'S POLICY</b><br><ul style="list-style-type: none"> <li>• Programmed direction in execution of the policy of an enterprise, parts and businesses and implementation of basic objectives, planned and other goals and tasks, by the interwoven activities of COMPI (informing, planning, motivating, organizing, co-ordinating and controlling) and operational decision-making.</li> <li>• Executing and implementing.</li> </ul>   |  |

Figure 2

General model of managing the enterprise's policy [20]

The word "interest" means, within the model, the expected benefits or advantages. The interest may of course vary depending on the relationship of the stakeholder to the enterprise and on his/her culture. A successful enterprise attains its own objectives while also meeting the respective interests of the stakeholders, i.e. achieving the expected benefits, at least to some degree. The starting points could form the philosophy or culture of the enterprise. Usually in an enterprise there are several different cultures among the stakeholders, and a properly shaped enterprise philosophy can assure sharing starting points based on sharing interests of a successful enterprise. According to Kralj, the components of such a philosophy are views, beliefs and standpoints.

The enterprise's policy is expressed in the Kralj's model through conceptions, purposes, mission, and objectives in the dynamic dimensions of the basic, developmental and current policy which represents the prevailing perception of the needs and possibilities of the enterprise. The ability to make the most of them depends on creative directing towards the objectives and goals set: the key areas

of the policy, guidance ("policies"), strategic decision-making (including powerful tools of strategies) and on the keeping of a congruent structure all the time. The execution of the enterprise's policy should be carried out through activities which are within the model summed up in the acronym COMPI (in reversed order: informing, planning, motivating, organising, coordinating/controlling), and through operational decision-making. Of course, nothing will happen without the work and operations in the implementation phase.

The described Kralj's model is not the only acknowledged model of integral management developed in Slovenia. A group of researchers from Slovenia took the initiative for developing the "MER Model of Integral Management" ("MER Model"<sup>1</sup>) which takes into consideration special transition conditions (for description of the model see: [2], [20], [15]). The MER Model has been developing for almost twenty years and is the result of research cooperation between researchers from universities and other research institutions from different (mainly European) countries. The MER model also incorporates many of Kralj's cognitions. In this way researchers (and praxis) still give recognition to Kralj's model. This gives us one more reason to use the methodology based on Kralj's model in our research also.

Among many world-wide acknowledged models of integral management we would like to stress the ones developed by Bleicher [7], David [10], Hinterhuber [19], Wheelen and Hunger [55, 56], and the St. Gallen Management Model [44, 47]. Space limitation does not allow us to discuss these models in detail. The main characteristic of integral management models is the integration and requisite holism of the enterprise's governance and management. For example, in the MER model of integral management the authors [20] stress: "... Management processes, instruments and institutions are horizontally and vertically integrated in consistent functioning wholeness. The process, instrumental and institutional integration of management is at the same time the fundamental condition for bringing into force all other integration factors. ... The integration of management with philosophy, culture, ethics, entrepreneurship, synergy and ecology should not be isolated only to certain part of an enterprises and/or its environment. This integration of management with an enterprise (as a narrow environment) and enterprise's environment (as a broader environment) should be carried out regarding all previous listed factors (philosophy, culture, ethics, entrepreneurship, synergy and ecology), all environmental spheres (economic, cultural, natural, technological, political and social environment), and places (market, operational and cognitive) of an enterprise...".

The authors of models of integral management stress the importance of integration of processes at different hierarchical levels (i.e. political/normative level, strategic, and operative/operational management level) into one holistic and complex

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<sup>1</sup> MER is acronym: M – Management, E – Entwicklung (in German) → Development, R – razvoj (in Slovene) → Development.

process. Therefore, in many models, no special attention is given to distinguishing between governance and management processes because of the need for linking and interweaving processes at all hierarchical levels (see e.g. [20]). With this idea we will use in continuation the term "management" for describing the holistic and complex governance and management process.

## **3 Research**

### **3.1 Research Goal**

According to Ernst & Young's European attractiveness survey [17], Europe will not remain a winner without completely reinventing its growth strategy. A new business model must be found and thus also an increase of funding efforts towards direct support for the innovation of enterprises' management. The Global Competitiveness Index 2009–2010, which measures the overall competitiveness ranking, ranks Slovenia at the 37<sup>th</sup> place (out of 133), which is 5 ranks [46] better compared with the 2008–2009 ranking.. But The World Competitiveness Scoreboard [57], which presents the 2010 overall rankings for the 58 economies covered by the World Competitiveness Yearbook (WCY), ranks Slovenia at the place 52 (with an achievement of only 48.689% competitiveness compared to Singapore 100.000%). In comparison with the year before, this is very concerning because Slovenia fell for 20 ranks: from rank 32 to rank 52, mostly because of her economic performance and government and business (in)efficiency. If Slovenia wants to compete with the most developed (European) countries, it will have to foster economic growth. Slovenia will not be able to achieve this goal without successful and fast-growing enterprises and a dynamic process of creating new enterprises [43].

The above-stated ideas lead to the need for our research on the presence of different modes of management in Slovenian enterprises. The main goal of the empirical research presented in this paper is to determine the modes of management in examined enterprises and to explore to what extent the process of striving towards integration and requisite holism of the enterprise's governance and management within the environment and in enterprises' relations with the environment is present in Slovenian enterprises. The typology of different modes of management used in our research is based on Kralj's description of the different evolutionary stages of management, as briefly described in the previous chapter. To continue, we describe the research methodology, sampling and data collection procedure, as well as research results are presented and discussed.

### 3.2 Research Methodology

In our research we used a case study research methodology. As proposed by Yin [58] we used a multiple case study approach, where replication logic was possible. Since an enterprise can be at the same time from some perspectives advanced and from others backward, we designed our research based on Kralj's method, which takes into consideration a scientific perspective of the management evolution. Kralj's method [21, 22, 23] enables us to examine the presence of four developmental modes<sup>2</sup> of management (empirical, rational, cognitive and integrative management). The method was originally entitled "The method for reviewing the enterprise policy" and is based on the author's model of integral management already introduced.

The method may be summarized briefly in terms of the total 60 variables, which are divided into five subgroups covering five different dimensions of an enterprise: the environment (18 items), the enterprise as a system within this environment (12 items), the philosophy of the enterprise, the interest behaviour and subcultures of the stakeholders (13 items), the basic components of policy (13 items) and the criteria for measuring the quality of policy (4 items) (Table 1).

For each of the 60 variables, presented in Table 1, Kralj developed a list of their characteristics for each developmental mode of management. These lists were used when examining enterprises included in the sample. For each variable (item) 100 points are allocated among four developmental modes of management: empirical, rational, cognitive and integrative. Nowadays one expects fewer points in the first two (empirical and rational) and more of them in the last two modes (cognitive and integrative). The averages (in points as well as in percentage) are compounded for the groups of variables and for the enterprise as a whole.

Table 1

Variables for the determination of four developmental modes of management [21]

| THE ENVIRONMENT   | THE ENTERPRISE AS A SYSTEM  |
|---|---|
| (1) Natural conditions and ecology, (2) Influences of science and technology, (3) Societal order, (4) The economic policy of the State, (5) Situation of the international affairs, (6) Markets, (7) Finances, (8) Economical development, (9) Societal organizations of the production, (10) Buyers and clients, (11) Financiers, (12) Chambers of trade etc., (13) Trade unions, (14) Scientific organizations, (15) Relations toward societal infrastructure and public financing, (16) Degree of intervention of the State and Communities, (17) The influence of the political organizations, (18) Public opinion and standpoints toward it. | (19) General operating ability, (20) The size of the enterprise, (21) The place and the role of the division of work, (22) The structure of the business, (23) The outfit for business operations, (24) The phases in the development with respect to the societal effectiveness, (25) Financial ability, (26) Resources, (27) Organization of process and structure of the organization, (28) Informatics, (29) Human resources characteristics, (30) Abilities of managers and experts. |

<sup>2</sup> The author sometimes describes them as the evolutionary models. However, in the context of this research the term »mode« defines better the difference in governance and management practice.



| PHILOSOPHY OF THE ENTERPRISE, INTEREST BEHAVIOUR AND SUBCULTURES OF THE ENTERPRISE STAKEHOLDERS   | BASIC COMPONENTS OF POLICY   |
|---|--|
| (31) Views, (32) Influence of the hierarchy of needs on the values, (33) Freedom as a value, (34) Participation in decision making as a value, (35) Equality as a value, (36) Rationality as a value, (37) Progress and stability as a value, (38) Purposes as the express of interests, (9) Central conception, (49) Development idea from the aspect of mission, (41) Standpoints towards people, (42) Standpoints toward knowledge, (43) Key concepts of operations. | (44) Consciousness about policy, (45) Basic objectives and goals, (46) The technique of direction towards objectives, (47) Decision-making basis, (48) The mode of leading people, (49) Situation direction, (50) Strategic decision-making, (51) Congruence of structures with objectives and goals as well as the strategies, (52) Enterprise policy-makers, (53) Application of the management sciences for policy-making, (54) Expressing and communicating the policy, (55) Confirmation of the policy, (56) Managing the policy of the enterprise form the viewpoint of co-operation, or from the aspects of parent enterprise and controlled enterprises. |
| CRITERIA FOR MEASUREMENT OF THE ENTERPRISE POLICY QUALITY   |  |
| (57) Measuring the quality of business operations, (58) Enterprise-political criteria, (59) The criteria of success (effectiveness), (60) Key areas of policy.  |  |

### 3.3 Sampling and Data Collection

For the purpose of this research, judgmental sampling was used, in which population elements were selected based on the expertise of the researchers. One of the reasons for choosing judgemental sampling was the fact that the case study research methodology used in our research is usually implemented on a smaller sample because of the higher costs in comparison to full quantitative research techniques. We believe that by using such a procedure, the representative enterprises of the population are included. Data were collected through in-depth case studies, including face-to-face structured interviews with 50 managers of Slovenian enterprises; in many cases the respondents were also owners. The basis for conducting interviews was the already presented list of characteristics of 60 variables originally developed by Kralj.

All examined enterprises were private ones with the following legal forms: 32 (64%) limited liability companies, eight (16%) joint stock companies, nine (18%) individual private entrepreneurs and one (2%) limited partnership.

The size of the examined enterprises was defined by the quantitative criteria of the Slovenian Companies Act [59], and these are: number of employees (headcount), annual turnover and total balance sheet. Large enterprises are enterprises which exceed the criteria for micro, small or medium-sized enterprise, shown in Table 2.

Table 2

The quantitative criteria of the Slovenian Companies Act for defining the size of an enterprise

| Enterprise category | Headcount | Annual turnover | Balance sheet total |
|---------------------|-----------|-----------------|---------------------|
| Micro               | < 10      | ≤ € 2 million   | ≤ € 2 million       |
| Small               | < 50      | ≤ € 8,8 million | ≤ € 4,4 million     |
| Medium-sized        | < 250     | ≤ € 35 million  | ≤ € 17,5 million    |

We did not use the additional qualitative criteria for distinguishing enterprises by size due to difficulties in application of such criteria (see [13], [28]). Out of 50 enterprises, 15 (30%) were micro enterprises, 16 (32%) were small enterprises, 10

(20%) medium-sized enterprises and nine (18%) large enterprises (see Figure 3). In such a way all size classes were included in the sample. The size distribution of enterprises in Slovenia is as follows: 93.2% are micro enterprises, 5.4% are small enterprises, 1.2% are medium-sized and 0.2% are large enterprises [43]. The comparison of Slovenian and EU countries shows that the structure of the Slovenian economy in terms of the share of enterprises by size, the employment share, and the average number of employees per enterprise is very similar to the EU average, less so regarding turnover per enterprise and value added per employee.

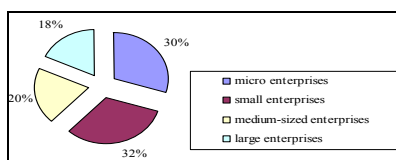


Figure 3

Size structure of the research sample

The main business activities of the enterprises examined were manufacturing (13 enterprises), construction (12 enterprises), wholesale/retail (8 enterprises), financial and insurance activities (4 enterprises), professional, scientific and technical activities (3 enterprises), administrative and support service activities (3 enterprises), accommodation and food service activities (2 enterprises), information and communication (2 enterprises), agriculture (1 enterprise), transportation (1 enterprise), and arts (1 enterprise). However, the structure of different management modes in connection with the businesses' primary activities.

### 3.4 Research Results and Discussion

The research results of the presence of different modes of management in different enterprise size classes are presented in Figure 4. The presence of the mode of management (i.e. empirical, rational, cognitive, and integrative) is expressed in percentage and is calculated as an average value for the size class.

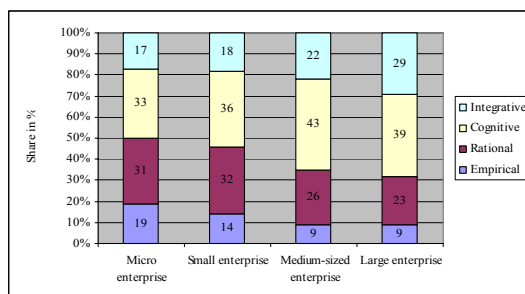


Figure 4

The presence of different modes of management in examined enterprises

The research results show that the more advanced modes of management (cognitive and integrative) are present to a greater extent in larger enterprises. In the average micro enterprises the presence of empirical, rational, cognitive and integrative management is 19/31/33/17. The first two modes (less developed ones) are presented within micro enterprises to the same extent (50%) as are the more advanced cognitive and integrative management. In small enterprises the more advanced modes of management are presented to a greater extent (54%) than the less developed (46%). In medium-sized enterprises the presence of less developed modes of management is even smaller (35%), and in large enterprises only 32% whereas the presence of more developed modes of management is 65% in medium-sized enterprises and 68% in large enterprises.

However, detailed analysis of the research results show that there are exceptions within size groups. Within micro enterprises there are two enterprises in which the presence of less developed modes is around 70%, as well as two enterprises in which the presence of advanced modes of management is around 70%. Also within small enterprises we found one case in which the less developed empirical and rational modes of management prevail (more than 70%), as well as examples of enterprises in which the more developed modes of management prevail (between 63% and 76%). Within medium-sized and large enterprises, where advanced modes of management prevail, we found only one case in each size group where the less developed modes of management are present slightly more than 50%.

The research results are in accordance with the cognitions of many researchers (e.g., [36]) who describe the more pragmatic, personal and informal way of managing of SMEs, especially of micro and small enterprises. These enterprises are characterized by the lack of time for planning long-term strategic objectives due to the influence of the owners-managers and the crucial role they play in the day-to-day running of their businesses ([35], [28] and references cited there). Research studies reveal that only a small minority of micro and small-business owners-managers were prepared to delegate responsibility for, or the control of, any managerial or strategic functions [27]. Detailed analysis of the medium-sized and large enterprises in the sample show that among them we can find “new” enterprises (established in the beginnings of the 1990s when the possibilities for establishing private enterprises in Slovenia were opened), as well as previous socialist “old” enterprises which successfully “survived” restructuring during the transition period in Slovenia. According to Pučko [40] these “old” enterprises survived the process of corporate restructuring in the Slovenian transitional environment consisting of four stages: crisis, revitalization, strategic change, and growth. The period after the year 2001 the author described as a post-transitional stage, which is no longer part of the restructuring process of “old” enterprises. It is a period when “healthy” enterprises compete on the market. These enterprises are aware of the sources of their competitive advantages, which are also in the quality of management and in the capabilities for fast adaptation to changes in the global environment.

In Figures 5-9 results for different subgroups of variables for different enterprises' size classes are presented. Research results of the subgroup "The environment" show how enterprises see and treat the environment changes according to the enterprises' size (Figure 5). The results indicate that examined enterprises see the environment as medium reasonable developed providing suitable conditions for business operations, with more attention attached to domestic markets, even though there is also orientation towards international markets, with developing financial markets, and some interest and cooperation with research institutions (such as universities). However, we can also observe that the share of less developed modes gets smaller with the increasing size of the enterprise. Research results suggest that larger enterprises see the environment as better developed and providing better conditions for the functioning of the enterprises than smaller enterprises do. These observations are in accordance with the findings of many authors that smaller enterprises have fewer possibilities to influence environmental changes than larger enterprises have [38, 39], and therefore these smaller ones see the environment as more "hostile" than the larger ones do. Peinado, Peinado and Esteve [37] have discovered that the ability of an enterprise to adapt and respond to environmental opportunities and threats constitutes a key factor in the search for survival and competitiveness. Their results show that the intentionality of strategic change is closely related to how managers perceive and interpret environmental changes. As regards the influence of stakeholder pressure on the adoption of environmental practices see Sarkiz, Gonzalez-Torre, and Adenso-Diaz [45].

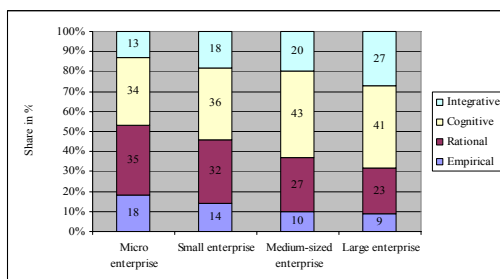


Figure 5

Analysis of the subgroup "The environment"

Considering the subgroup "The enterprise as a system", the results show a tendency very similar to that of "The environment" (Figure 6): that is, a tendency towards more advanced modes with an increase in the enterprises' size, which means from adequate to great and reliable operating ability, towards a growing awareness of the enterprises' developmental stages, the harmonization of the enterprises' structures with goals and objectives, a developed information system and more professional management. See Delgado-García and De la Fuentesabat [11] as to how managers' negative affective traits are related to more conformist strategies and more typical performance, whereas positive affective traits seem to

promote outcomes that deviate from the central tendencies of the industry (also that strategic conformity mediates the relationship between CEO negative affective traits and typical performance).

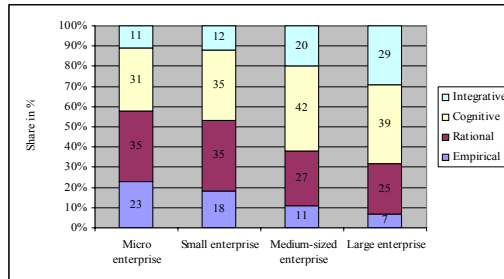


Figure 6

Analysis of the subgroup “The enterprise as a system”

Considering the subgroup "Philosophy, interest behaviour and subcultures", we can observe a tendency toward more advanced modes (i.e., cognitive and integrative) within all size groups, present together in 61% of micro, and up to 69% of large enterprises (Figure 7). This means that there exists to a great extent the cohabitation of different subculture values adapted in the philosophy of the enterprise (which is in accordance with some recent research results from Duh and Belak [14]). The concepts are defined, developmental and clear; the standpoints towards people are according to the theory Z; knowledge and innovativeness are appreciated.

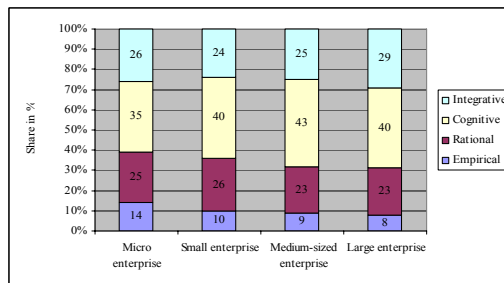


Figure 7

Analysis of the subgroup “Philosophy, interest behaviour and subcultures”

Research results for the subgroup "Basic components of policy" show a strong presence of cognitive mode in all size classes (ranging from 33% in micro up to 47% in medium-sized enterprises), followed by rational modes in micro and small enterprises, whereas in medium-sized and large enterprises the integrative mode is present between 24% and 30% (Figure 8). The results indicate that in micro and small enterprises we can observe pragmatic as well conscious approaches toward governance and management, whereas in medium-sized and large enterprises the conscious approach prevails with developed systems of objectives oriented to

markets, finances, human, and organizational business functions, with the integration of all kinds of knowledge and science for decision-making, participation, orientation towards knowledge and wisdom, strategic decision-making and strategic management. These observations are in accordance with the findings of many authors (e.g. [55]) that there is a lack of strategic planning practice in smaller enterprises. The frequently cited reasons are: (1) not enough time, (2) unfamiliarity with strategic planning, (3) lack of skills and (4) lack of trust and openness. Research studies often indicate that the strategic planning process can be far more informal in small enterprises than in large corporations (see [28] and references cited there). As stressed by Wheelen and Hunger [55] some studies have even found that too much formalization of the strategic planning process may actually result in reduced performance, because it detracts from the very flexibility that is a benefit of small size. The authors therefore point out that the process of strategic planning, and not the plan itself, is probably the key to improving business performance (see also [28]).

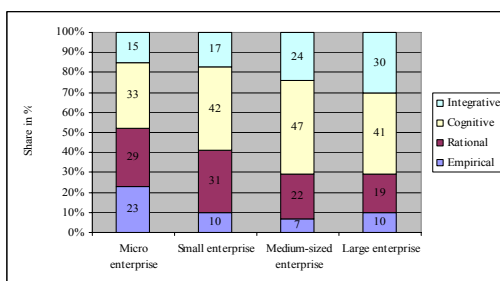


Figure 8

Analysis of the subgroup “Basic components of policy”

Research results of the subgroup "Criteria for measurement of the enterprise policy quality" show that the presence of different modes varies according to the size of the enterprises (Figure 9). More advanced modes are present to a greater extent among medium-sized and large enterprisers than in micro and small ones.

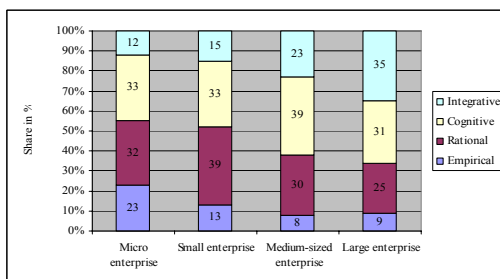


Figure 9

Analysis of the subgroup “Criteria for measurement of the enterprise policy quality”

## Conclusions

We saw the start of the worst global recession since the 1930s in the fourth quarter of 2008. Yet, after dealing with the initial shock, companies went to work to prepare for the inevitable recovery. Senior leaders began wondering how the competitive landscape of their markets would change, and which actions would best prepare their organizations to compete in a new and changing world [8]. Consequently, businesses need new bases and methods [32], taking into account new values, culture, ethics and norms of humans, including their personal and personality's development, leading both humans and businesses to their own requisite holism. We believe that integration and requisite holism of the enterprise's governance and management are a precondition for coping with global changes. Therefore, the main goal of our research was to determine the modes of governance and management in the examined enterprises and to see how well Slovenian enterprises are prepared to cope with difficult economic conditions caused by the recent (financial, economic, values, responsibility, social, environmental, etc.) crisis. Dixon, Meyer and Day [12] developed a theoretical framework of organizational transformation that explains the processes by which organizations learn and develop dynamic capabilities in transition economies. We believe that at least the smaller enterprises we analyzed should develop dynamic capabilities that will support their growth in a competitive market economy and will orient them toward integrative management.

The results of our research show that the more advanced cognitive and integrative modes of management are present to a greater extent in larger enterprises; they are present in smaller enterprises as well, but only to a lesser extent. The research findings suggest that the examined enterprises are in different developmental conditions and therefore differently prepared to cope with current difficult economic situation. However, the research results are in accordance with the ideas of many researches who revealed the more pragmatic, personal and informal way of managing of SMEs, especially micro and small enterprises. Since the study reveals that within the group of "smaller" enterprises we can find exceptions (especially toward a more integrative approach of governance and management) future research should also be oriented toward the examination of the correlations between the management mode and the type of enterprise. For example, whether there are any correlations between fast growing enterprises and management mode utilised (see [28] and references cited there). Future studies should also be directed toward the examination of the correlation between the presence of different modes of management and the performance of the company, Research studies should be conducted on the differences in the mode of management in different life cycle stages of an enterprise (see e.g. [6], [7]).

We are aware of the limitation of our research, which is based on self-assessment. However, self-assessments were the only possible option and unfortunately results could not be questioned or tested by outsider's evaluation. We are aware that the opinions on the business can vary strongly according to the people offering them. When more people within the enterprise were interviewed, a wider view of each

enterprise was at our disposal. Therefore, future research should take into consideration this limitation as well.

The research results have (and should have) broader usefulness: they are important indications for owners and management in the examined enterprises. As was stressed by Kralj [22], the main point of the method is that in this way it is possible to get a diagnosis of the enterprise and to propose suggestions and measures for its improvement. It is possible to find out the directions of measures according to the characteristics of each item examined, for the groups of variables and for the enterprise as a whole. Managers especially (who are in many smaller enterprises also the owners) should use the results as a basis for making improvements. Namely, the performance of a particular enterprise depends not only on market conditions but, as well, on the management; with effective management an enterprise can operate successfully even under unfavourable market conditions [41]. Since "Top Performance is not a Coincidence" [53], the method used in the research and results of individual estimation as well as the results for the whole sample, are an important basis for making those decisions which encourage the innovation that plays a central role in the knowledge-based economy [25, 42] and that enables sustainable development and the excellence of an enterprise. The results of other enterprises can serve as a basis for benchmarking.

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