



## The importance of an adequate organization management system in contemporary business conditions

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### Abstract

*The aim of this paper is to present the theoretical assumptions in the application of the principles, concepts and management systems in the organization in the modern business conditions. One of the most serious problems of contemporary organizations is exactly adequate management. For this reason, the paper will provide an overview of the application of management principles, modern management concepts and management systems, supported by organizational standards with a view to their successful implementation in business organizations, and as a function of continuous improvement of the quality of work processes and performance. The research results can be used for subsequent empirical research and practical application.*

**Key words:** *Principles of Management, Management Systems, Organizational Standards, Modern Business Conditions*

### 1. INTRODUCTION

In recent decades, under more and more complex business conditions and increased uncertainty, the importance of quality management receives its confirmation by the emergence of a new profession - managers, whose core task is to manage all work processes, and to make decisions within them. This suggests that a good manager is, in fact, a good leader and decision maker.

Modern business is accompanied by many risks and uncertainties, rapid changes in technology and the market, as well as other changes that create a new business ambient in the environment of each business system. This is the uncertainty in which the management carries out the management activities. Managers work in a dynamic, unstable environment, in

an environment with a steady increase in uncertainty due to the increasing diversity of products, the complexity of the work process and the complexity of the organizations themselves, within which daily changes occur. On the one hand, this brings new opportunities and, on the other, it creates problems. In such varying business conditions, managers need to anticipate the changes and adapt to them, striving to work in an effective and efficient way, in which the importance of management is reflected. Under unspecified business conditions, there are no standard procedures and rules, nor can earlier behavior patterns be applied, but rather, it is necessary to design new management models in organizations that will be in line with new business requirements in the modern world.

Management helps to achieve the set goals in organizations by planning, organizing, managing and controlling specific resources. [1] However, in order to carry out any activity, it is necessary to manage and make a decision. Managers should manage in such a way that they make functional decisions that are adequate and of appropriate quality in that particular moment, which will contribute to improving the work process and relations with the environment.

Management is a dynamic and interdisciplinary process, which includes all forms of activity in organizations; its importance is reflected in the fact that all activities start and end with management and decision-making.

The requirement for a quality realization of the vision, mission and goals in an organization is the harmonized functioning of all working processes. At the same time, their unfolding involves the emergence and successful elimination of problems as sources of instability in the organization, hence the activities of management are logically directed towards the detection and elimination of factors of instability, which creates conditions for achieving effective management in all systems and work processes.

The aim of new organizations is to become more efficient, effective and flexible. Quality, creativity, innovation, the rate of changing and adapting to new conditions are prerequisites for creating a competitive advantage in the environment where products and services emerge on the market at increasing rates. [2]

Currently, organizations are in the race for enhancing their capability in order to survive in the competitions of the new century global market. Therefore, organizations are attempting to advance their agility level by improving the management process and decision making process to be more efficient and highly effective to meet the successive fluctuations of the market. In an effort to achieve this, many modern organizations, either mid or large sized, have concerned with a cycle of progressive investments in and adopted new management systems. [3]

Organisations with implemented multiple management systems are considering, more and more, managing these management systems as a single system, i.e., integrating them into an integrated management system (IMS), because of its efficiency and exploitation of synergies. [4]

## 2. MANAGEMENT SYSTEMS

Modern business conditions have established a new paradigm – the customer is “the Alpha and the Omega”, customer demands are at the beginning and their satisfaction or complaints at the end of all processes. One of the most important goals of a company is to meet customers needs to the fullest, optimizing its resources. A wide range of specific product and process quality management methods and tools have been developed, since innovations are a constant need; they have become a precondition for a successful business practice. [5]

Development of managerial, engineering and statistical methods and techniques for improving work processes, ways of extracting and processing data, as well as generating information necessary for the decision-making process and timely decision-making, all contribute to the establishment of effective management systems. Their results can be measured by the quality of the produced products and services or by the overall performance of the organization.

Over the past few years or even decades, risk management has become a trend in the modern way of doing business. Risk management intrigues both the scientific community and managers in business systems, and the reasons can be reduced to one point: the survival of organizations is inextricably linked to a wide spectrum of risks, which are either the result of processes or arise from the processes in organizations. The success of the organization is largely reflected through the ability to identify and manage risks that affect the realization of objectives. [6]

Risk management considers both the current situation and the possibilities for change. By treating risks throughout the system the likelihood of achieving planned objectives is improved, output is more consistent and customers can be confident that they will receive the product or service of expected quality. [6]

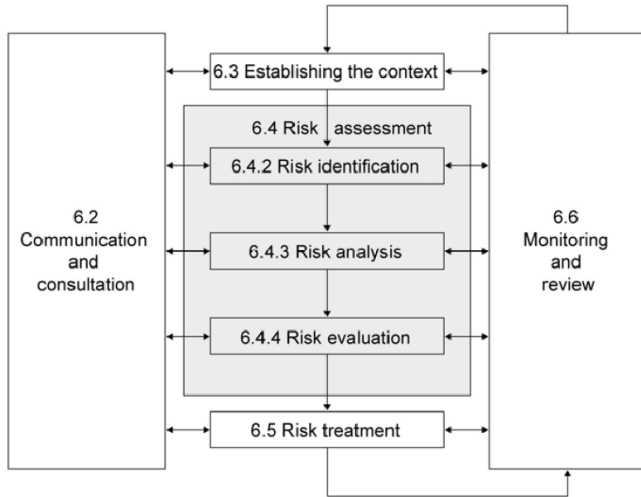
Due to the fact that all activities or processes in the organization are exposed to different types and intensities of risk that need to be managed, a suitable way (mechanism) of management is the established integrated management system.

If the requirements of different management system standards are analyzed, it can be concluded that each of them treat a certain risk group that affects the business of the organization. In short:

- Standard ISO 9001:2015 [7] (Quality Management Systems) promotes a system that has a objective to effectively manage risks that can degrade the quality of the processes in a company and can affect customer satisfaction,
- Standard ISO 14001:2015 [8] (Environmental Management Systems) aims to control a group of risks that can lead to the degradation of the environment by inadequate waste management, uncontrolled consumption of energy, emission of pollutants in water, air or land,
- Standard OHSAS 18001:2007 [9] (Occupational Health and Safety Systems) defines requirements which are aimed to reduce risks of injuries and occupational ill health.

In addition to the aforementioned management system standards that address specific risk groups, the ISO 31000: 2009 standard [10] defines the basic principles and guidelines for establishing an adequate risk management system, that is, it defines a sequence of activities in the risk management process, as shown in Figure 1. The identification of risks as well as the analysis, assessment and response to the identified risks are necessary activities in the risk management

process, in order to adequately address the identified risks and reduce them to an acceptable level.



**Figure 1.** Risk assessment process

The reserves of non-renewable energy sources on the planet are getting smaller. The greenhouse effect is well known and clearly visible, taking into account natural indicators and increasingly frequent problems. One way of preventing further degradation of the environment, that is also a condition of modern business, is energy management. The standard EN ISO 50001: 2011 stimulates and enables the establishment of an energy management system in terms of managing all aspects of energy for all types of organizations, regardless of their activity, size, number of employees or geographical location, the scope of application in one part or the entire organization. The aim is to help organizations in establishing an effective and efficient energy management system that will result in increased energy efficiency and more rational use of energy and energy resources. Establishing this system represents a significant undertaking for each organization, in organizational, technical and financial terms, but the benefits of its implementation are multiple. [11]

There are three important drivers for implementing improvements in the energy efficiency of organizations:

- the rising prices of energy and energy resources,
- new regulations in the field of environmental protection, with associated costs, due to environmental pollution caused by CO2 emissions and
- the changing awareness of both organizations and end-users, in terms of buying "green" products and services that are energy-efficient. [12]

Current business trends, as well as the objective to increase the competitiveness of the organization in the market, include the establishment of an energy management system and increasing the energy efficiency of the organization and its processes. Apart from the financial benefits, by meeting the requirements of this standard, the following results can be achieved:

- more efficient use of equipment which uses significant amounts of energy for primary functions,

- assessment, measurement, documentation and reporting on energy improvements and their impact on reducing gas emissions and the greenhouse effect,
- transparency and well developed communication related to the management of energy resources,
- promotion of best practices in energy management,
- it helps organizations in evaluating and prioritizing the implementation of new, energy efficient technologies,
- providing a framework for promoting energy efficiency through supply chains,
- enabling improvements in energy management in the context of reducing gas emissions and the greenhouse effect,
- enabling integration with other management systems. [13]

### 3. LEAN CONCEPT

In today's market conditions, organizations may ensure survival only through adequate and timely reactions to market changes and elimination of all activities that do not add value to goods/services or hinder and slow down systems' processes: overproduction, inventory / stock, overprocessing, transportation, waiting, defects / errors, unnecessary motion and underuse of staff creativity and innovativeness. That strategy of maximizing income and increase competitiveness at minimum costs involves an appropriate level of flexibility of organizations, process automation, and application of modern tools and technics in organizational solutions, as well as the maximum commitment of employees to a constant development of this strategy. [14] Business Excellence is often described as outstanding practices in managing the organisation and achieving results, so a fundamental question for managers and academics is how organizations achieve and sustain competitive advantage in their pursuit of business excellence. [15]

LEAN is a specific way of thinking and a set of principles, defined for the purpose of effective and efficient organization of production processes / service delivery and supply. The primary objective of LEAN is to eliminate all activities that do not add value. Furthermore, it represents a striving for continual improvement of the system. [14]

Between activities in the production process, it is necessary to provide a smooth flow of work items and not to allow the accumulation of unnecessary supplies of materials, semi-products and finished products. Also, it is necessary to ensure that the requests of customers, i.e. their needs for a specific product / service, are the "work order" for starting up production and procuring the necessary materials. By establishing such a system, it is further necessary to establish a support system in the context of continuous search for the possibilities of improving this system using LEAN techniques and tools to improve the process and eliminate losses. This is a prerequisite for increasing process stability, minimizing costs, increasing the

flexibility of process and increasing customer satisfaction through the quality and accessibility of products / services. Another important segment is the development of employees' awareness of the necessity of the changes and improvements that have occurred, in order for them to feel that they are an important part of the system and identify with the desire for its progress.

#### 4. CUSTOMER RELATIONSHIP MANAGEMENT

Customer Relationship Management is an approach to management that enables the company to identify, attract, and increase the number of profitable customers through managing direct relationships with them. [16]

Modern business conditions require constant engagement in improving customer relations, since only such an approach in principle ensures long-term relationships and the realization of long-term income for both parties. It is for this reason that the business philosophy of Customer Relationship Management - CRM has emerged as one of the business models.

Management of organizations is determined to implement the CRM concept in order to optimize the management of the user's life cycle and thus have a significant impact on the growth of profit and profitability of the organization, as well as meeting the needs of the users in order to achieve the highest level of loyalty.

By analyzing the information gathered during each individual transaction or interaction, using the available Customer Relationship Management System, the result will be a detailed analysis where such a multi-dimensional vertical and horizontal analysis reveals a wealth of user information with an attempt to predict its next steps and procedure.

Processes related to Customer Relationship Management must be set up and integrated into business so that they do not remotely organize the organization's policies, contribute to the realization of organizational goals and help in the long-term realization of profits.

To facilitate organization of customer relationship management, International organisation for Standardisation - ISO has issued ISO 10001 and ISO 10002 standards that define how to manage customer relationships in companies.

#### 5. CONCLUSION

The decades behind us are evidence that modern business and increased market uncertainty are a prerequisite for quality management of organizations and work processes. Modern business is accompanied by many risks and uncertainties, rapid changes in technology and markets, as well as other changes that create a new business environment in the environment of each business system. Trends change from year to year and the management is to adapt the organization's business and respond to the demands of the market and users in order to achieve the basic goal, that is, long-term survival and generating profits.

Modern business conditions impose an obligation on the management to continuously analyze, draw conclusions, and work on measures to improve all processes in organizations, whereby emphasis must be placed on the desire that the implementation of the process in no segment compromises the policy that the user must be the center of each process, his satisfaction is the lead guide for every true manager.

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