

## **POSITION OF CONSULTING IN ENTERPRISES' PERFORMANCES DEVELOPMENT IN SERBIAN AGRO-COMPLEX**

B. MIHAILOVIC<sup>1</sup>, D. CVIJANOVIC<sup>1</sup>, A. TESIC<sup>2</sup> and N. MRVIC-PETROVIC<sup>3</sup>

<sup>1</sup> *Institute of Agricultural Economics, 11060 Belgrade, Republic of Serbia*

<sup>2</sup> *University Business Academy, The Faculty of Economics and Engineering Management, Novi Sad, Republic of Serbia*

<sup>3</sup> *University "Union", Faculty of Law, Belgrade, Republic of Serbia*

### **Abstract**

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Serbia's approach to the EU has imposed new rules in society and business. Such changes have been excellent precondition for consulting sector's development. Enterprises try to improve competitiveness through adoption of new products, technologies and services. A need for introduction of some business processes initiates more consulting engagement. Starting from the previously stated, we had taken a side of studying in the paper a contribution of consulting organizations to improvement of enterprises' performances in agro-complex of Serbia. Additional reason for this orientation is a fact that the previous scarce researches of the consulting and its influence to business of enterprises in Serbia are the most often incomplete and partial. Among other things, a subject for this paper has imposed the newest circumstances in Serbia, in its economy, especially in agriculture. That is to say, the Serbian economy found considerably surprised, almost completely reluctant for what was waiting inevitably in the transition period it has started to pass through. Many circumstances have significantly affected its collapse, on which will not be considered in this paper, and just started, more indicative - consulting market, insufficiently developed, had not been able to accept increasing burden, so wanderings in searching for an origin for stabilization and development in new terms have been even greater. Consequentially, this paper has pretensions to point out to many issues concerning this problem, to begin their resolution, to inform those interested on role and significance of the consulting, methods of its use – everything that might contribute to some interest and promotion of Serbian agro-complex, including also solutions suggesting, derived from exact researches by logical deduction through scientific methods appliance.

*Key words:* consulting, agro-complex, performances, management, inovations.

*Abbreviations:* ROI: Return of Investment

### **Introduction**

In competitive environment, in order to survive, enterprises must continuously change and develop. Survival and development imply investing efforts in re-evaluation and re-affirmation of enterprises' competitive advantages and their positions on the market. In order to achieve it, big and well-known, world-class companies on the European developed market, hire famous consulting houses to help, appropriating significant funds for this. Serbian economy has to be inevitably on this course, too, because that is the only way, which

leads to catching up with the European Union economy, and it means survival, stabilization and development (Cvijanović et al., 2011). Introduction of changes requires from employees in the company to adopt new knowledge, collect as much information as possible, to cope with new tasks, to improve their skills, often change their habits, values and attitudes. This also includes the changes in people – regarding a management and employees, their abilities, motivation, behaviour and effectiveness at work. It also includes the changes in organizational structure – changes of values, settle habits, information relations, influences, managing styles. As

it is a whole process of sea changes – it does not happen by itself: there is necessary learning, time, effort, persistence and commitment to a job that is done. Although, it all cannot be achieved, at least for some time, without help of those who have already gathered huge amounts of knowledge, gained experiences and can successfully deliver to the others (Mihailović, 2011).

Accordingly, motives of the research in the paper are following:

- Research curiosity is surely not the only culprit of the research action. A suspicion that the state, as it is described and makes prevailing believes, is not precisely determined – has additionally stimulated a challenge, and certain interest of such work, especially for agro-complex in Serbia, has out-balanced for approaching to such complex issue research.
- Long-term crisis of domestic economy has led to decrease of enterprises accumulative ability. In such conditions, neither there is a critical mass of assets necessary for organizing the research process, nor a readiness to overtake financial risks carried about themselves. Modest profitability of an enterprise is a reason for reduced investments in research-developmental activity. Consequentially, there is decreased enterprises ability to increase own capital, based on financial leverage, i.e. a difference between a profit and an interest rate. Accordingly, the consulting is observed as a variable, which should transmit enterprises from an inefficiency zone into an efficient and profitable business zone.
- Vacillating transition in Serbia is additional motive for the research. Serbia, due to its objective, but also subjective reasons, is late with the transition, so aiming to cope with other countries, it hurriedly privatizes public property, often very clumsy, sometimes insufficiently controlled and under unclear circumstances. Side effect of these processes has been, inevitably, inconsiderate development of consulting services. The consulting, to this day, after so many years, has not been defined in statistical activity classification of Serbia, and therefore has been difficult to analyze its development.
- Additional motive for such orientation is a fact that the previous scarce researches of the consulting and its impact on development of agro-complex in Serbia are the most often, incomplete and partial.
- From social validity point of view, it is significant to determine what is the impact of the consulting services on enterprises performances (in which extent can create a value for clients through the consulting process), regarding that engagement of many consulting organizations funds from the budget of the Republic of Serbia and by resources of international financial institutions and banks for development.

## **Materials and Methods**

This paper's goal is to determine a position and a role of the consulting in enterprises' performances development in agro-complex of Serbia. It is obvious that many factors have effect on the enterprises performances, which, by their nature, belong to personnel education, management, finances, institutional infrastructure etc. Consequentially, there puts a research question on the role and the position of the consulting services in development of enterprises' performances in agro-complex of Serbia, which has been formulated in form of the following hypothesis: The consulting services are the fifth factor of enterprises' performances development in agro-complex – besides education, management, finances and institutional infrastructure.

There started from an assumption, based on humble experience and awareness, gained by studying the professional literature, but with a dose of scepticism, so this question was put in form of the previous hypothesis, in order to determine a real state in this field. As the set hypothesis is only an assumption, derived from an intuition and other, for science insecure strongpoint, but it expresses nowadays prevailing opinion – will be analyzed and subjected to a strict control, and therefore will be determined or denied. Regardless of the outcome – there will be interests for bringing conclusions, which might significantly affect creating an official opinion, what should and in what order to do, in order to accelerate our agro-complex development and its approaching to the European Union requirements, which would provide it competitiveness on the market.

The control was done by the procedure, which makes available the relevant conclusions for science – by researching data in the field, more concrete, by collecting the adequate data on sample of 100 enterprises in Serbia, whereby were complied with the factor analysis criteria, according to which is possible to make conclusions and generalizations, while examined sample structure has gravitated to the structure of the total agro-complex in Serbia. The market survey was done by three techniques: 1) telephone-survey, 2) direct interview and 3) electronically. A questionnaire was drafted in a way to provide enough data for a subject analysis, but with more questions beyond the given subject. Answers to them are significant for wider familiarization with the problems, especially the one regarding the agro-complex, so the data got in this way will use only partially, but those acknowledgements provide additional assurance in defining attitudes on the state in this field. After that, an evaluation of the consulting impact on enterprises' performances was done by using the factor analysis. Through the factor analysis will isolate individual factors of the consulting services develop-

ment in Serbia, the factors which influence on the enterprises' performances, including also the consulting services, in order to determine an impact of every factor to business performances of the enterprise.

The factor analysis represents the multivariate procedure, which ensures that, in numerous observed variables, which are correlated, determine a small number of basic variables which explain such interconnection. Those basic/latent variables are well-known as the factors (Tošić, 2007). At the same time, there should have in mind that many factors, which have interwoven and multiplied influence, affect on the enterprises' performances. Therefore, has been precise measurement of the consulting influence significantly hindered, and in many situations requires highly sophisticated statistical methodology, for which appliance has been needed numerous terms fulfilment. Accordingly, the research of the consulting services influence at the enterprises' performances in Serbian agro-complex has been based on application of two, basically similar approaches:

=> Balanced Score Card

=> Consultant's Score Card.

The approach of balanced measuring system provides that, in adequate way, relate long-term strategic goals and short-term actions of the enterprise. In order to help the enterprise to plan and measure the business performances more realistic, Robert Kaplan and David Norton have developed it during late nineties of the last century.

At first, they had developed the concept, which by they wanted to complete the traditional financial indicators with measures, which will show the realization of the enterprises mission from three additional perspectives: a) consumer, b) internal business processes and c) learning and growth (Kaplan and Norton, 1992). Consequentially, there requires balanced use of both financial and the measures which show progress in business, observed from the point of view of: 1) consumer, i.e. marketing, 2) internal possibilities of the enterprise to do well enough the operations, required for servicing needs and desires of consumers and thereby gain the competitive advantages, 3) possibilities of the enterprise that, through innovation process and learning curve capitalization, monitor a dynamism of market and technological factors and thereby keeps and increases its competitive advantage.

The process of business management should perceive through a dioptr of the previous aspects, in order to provide connection of long-term strategies with short-term actions, through goals, measures and initiatives transparency. Accordingly, it is necessary to present each perspective through goals, measures and initiatives. The consulting impact on the enterprises' performances in agro-complex of Serbia was analyzed with the method of the consulting efficiency evalu-

ation (methodology *Consultant's Score Card*). The methodology of the consulting efficiency evaluation includes six key measures (reaction and satisfaction, learning, implementation, business impact, ROI, intangible benefits) which comprise quantitative and qualitative data (Philips, 2000).

Thereby must take into account a fact that most of the consulting projects show an effect in next several years after the implementation. Simple method for isolating the consulting impact is getting information directly from the consulting process participants. This approach starts from a point that the consulting process participants are capable to determine or assess in which extent has been the performances improvement a consequence of exactly consulting interventions. Since their actions results with performances improvements, the participants have high precision of impact assessment. They actually, know in which extent have been the current changes in enterprises business provoked by the consulting intervention.

## Results

In accordance with the approach of balanced measuring system, aiming to recognize the impact of the consulting services on enterprises' performances, in agro-complex of Serbia were represented the previous four aspects in form of numerous components. The consulting impact to the enterprises performances in Serbian agro-complex was analyzed by the methodology *Consultant's Score Card* and by the factor analysis. The research has comprised many variables, which affect the enterprises' performances in agro-complex (Table 1).

These variables were used in the questionnaire in form of „evaluate the characteristic”. The next step was selection of samples. A size and structure of the sample is adequate regarding the total number of enterprises (population). Ac-

**Table 1**  
**Variables which affect enterprises' performances in agro-complex**

Consulting services	Taxes
Institutional infrastructure	Education
Political stability	Management
Market liberalization	Technological development
Privatization of enterprises	Business strategy
Competition	Inovations
Prices	Business incubators and clusters
Exchange rate	Finances

cordingly was ensured the statistical processing and analysis, because the criteria for application of the factor analysis are within the allowed limits. The variables are the questions from the questionnaire. Each variable ranges from 1 (minimal value) to 5 (maximal value):

The variable Business incubators and clusters were excluded from consideration. Tests for applying the factor analysis have shown that the variable has very low coefficient of correlation with almost all other variables and has not been

favourable for including in the factor analysis. These association forms are still in „embryonic stage” of development and sporadic character, so it is understandable that their influence for now is statistically irrelevant.

From the Table 2 *Correlation stencil among variables*, can see that the correlation between every two variables, has been mostly weak (under 0.5), there is none value which points out to strong connection among the variables (higher or equal to 0.9). Therefore is necessary to check the re-

**Table 2**  
**Correlation stencil among variables**

Variables	V1	V2	V3	V4	V5	V6	V7	V8	V9	V10	V11	V12	V13	V14	V15
V1	1.000	.466	.000	.238	-.143	.209	.108	.365	.020	.468	.215	.181	.417	.395	.399
V2	.466	1.000	.437	.574	-.020	.310	.496	.632	.551	.203	.338	.335	.100	.164	.382
V3	.000	.437	1.000	.647	.284	.314	.506	.504	.602	.306	.294	.556	-.053	.179	.244
V4	.238	.574	.647	1.000	.126	.538	.441	.519	.432	.217	.244	.255	-.051	.325	.345
V5	-.143	-.020	.284	.126	1.000	.344	.446	.250	.293	.303	.371	.221	.156	-.152	.028
V6	.209	.310	.314	.538	.344	1.000	.697	.525	.406	.240	.474	.073	.093	.222	.233
V7	.108	.496	.506	.441	.446	.697	1.000	.784	.688	.186	.577	.298	.070	.052	.237
V8	.365	.632	.504	.519	.250	.525	.784	1.000	.604	.086	.429	.368	.035	.145	.337
V9	.020	.551	.602	.432	.293	.406	.688	.604	1.000	.208	.511	.399	.045	.052	.401
V10	.468	.203	.306	.217	.303	.240	.186	.086	.208	1.000	.485	.197	.393	.254	.319
V11	.215	.338	.294	.244	.371	.474	.577	.429	.511	.485	1.000	.304	.344	.274	.278
V12	.181	.335	.556	.255	.221	.073	.298	.368	.399	.197	.304	1.000	.389	.500	.517
V13	.417	.100	-.053	-.051	.156	.093	.070	.035	.045	.393	.344	.389	1.000	.442	.525
V14	.395	.164	.179	.325	-.152	.222	.052	.145	.052	.254	.274	.500	.442	1.000	.528
V15	.399	.382	.244	.345	.028	.233	.237	.337	.401	.319	.278	.517	.525	.528	1.000

**Table 3**  
**First test – significant correlation levels**

Variables	V1	V2	V3	V4	V5	V6	V7	V8	V9	V10	V11	V12	V13	V14	V15
V1		.005	.500	.103	.225	.134	.285	.024	.459	.005	.127	.169	.011	.015	.015
V2	.005		.008	.000	.459	.047	.003	.000	.001	.141	.034	.035	.299	.193	.019
V3	.500	.008		.000	.064	.045	.002	.002	.000	.050	.057	.001	.390	.172	.097
V4	.103	.000	.000		.254	.001	.007	.002	.009	.125	.097	.087	.395	.040	.031
V5	.225	.459	.064	.254		.031	.007	.092	.058	.052	.022	.120	.205	.212	.442
V6	.134	.047	.045	.001	.031		.000	.001	.013	.101	.004	.352	.313	.120	.108
V7	.285	.003	.002	.007	.007	.000		.000	.000	.163	.000	.055	.357	.392	.104
V8	.024	.000	.002	.002	.092	.001	.000		.000	.326	.009	.023	.427	.222	.034
V9	.459	.001	.000	.009	.058	.013	.000	.000		.135	.002	.014	.406	.392	.014
V10	.005	.141	.050	.125	.052	.101	.163	.326	.135		.003	.149	.016	.087	.043
V11	.127	.034	.057	.097	.022	.004	.000	.009	.002	.003		.051	.031	.072	.068
V12	.169	.035	.001	.087	.120	.352	.055	.023	.014	.149	.051		.017	.002	.002
V13	.011	.299	.390	.395	.205	.313	.357	.427	.406	.016	.031	.017		.007	.001
V14	.015	.193	.172	.040	.212	.120	.392	.222	.392	.087	.072	.002	.007		.001
V15	.015	.019	.097	.031	.442	.108	.104	.034	.014	.043	.068	.002	.001	.001	

*Legend:* The table shows the significant correlation levels between every two variables (V1 - Consulting services; V2 - Institutional infrastructure; V3 - Political stability; V4 - Market liberalization; V5 - Privatization of enterprises; V6 – Competition; V7 – Prices; V8 - Exchange rate ; V9 – Taxes ; V10 – Education; V11 – Management; V12 - Technological development ; V13 - Business strategy; V14 – Inovations; V 15 – Finances).

search results, through specific tests by which will be tested if these variables can pass the factor analysis. Accordingly was created the Table 3, *First test – significant correlation levels*. This stencil's determinant was 0.0000349, which is more than the allowed limit (0.00001), so the factor analysis can apply.

It is noticeable that the Kaiser's criteria (Table 4) results with 0.690, which is an average value for evaluation of the factor analysis apply (there is no factor under 0.5). The Bartlett's test tests the hypothesis "there is no correlation among the variables", and then results with probability that the hypothesis is valid in a category "Sig."

It means that the hypothesis is not valid with the lowest probability of  $1-0.0001=0.9999=99.99\%$  (up to 4<sup>th</sup> decimal accuracy), which, in simple terms, means that there is satisfying correlation among the variables for applying the factor analysis.

The application of the factor analysis starts with the table on factors extracting and their share in the variance. This is the Kaiser's method for factors segregation, which has its flaws, and uses when the sample is higher than 250 and the

**Table 4**  
Values of Kaiser-Mayer-Olkin criteria and Bartlett's test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		.690
Bartlett's Test of Sphericity	Approx. Chi-Square	239.052
	df	105
	Sig.	.000

**Table 5**  
Extracting factors and their share in variance

Variables	Initial Characteristic values			Sum of extracted factors' squares			Rotated sum of squares		
	Total	% in variance	Cumulative %	Total	% In variance	Cumulative %	Total	% In variance	Cumulative %
1	6.743	41.426	41.426	5.478	36.517	36.517	2.984	19.893	19.893
2	2.283	14.025	55.451	2.235	14.900	51.416	2.924	19.493	39.386
3	1.481	9.098	64.549	1.324	8.827	60.243	2.189	14.592	53.978
4	1.404	8.625	73.174	1.459	9.730	69.972	1.732	11.550	65.528
5	1.115	6.850	80.024	.921	6.139	76.112	1.588	10.584	76.112
6	.844	5.188	85.212						
7	.607	3.727	88.939						
8	.497	3.056	91.994						
9	.338	2.078	94.073						
10	.267	1.643	95.715						
11	.198	1.219	96.934						
12	.160	.981	97.915						
13	.142	.870	98.786						
14	.117	.716	99.502						
15	.081	.498	100.000						

communality average is higher than 0.6, and in case when the variables number is lower than 1 in the second part of the Table 5, so five factors register.

There is necessary to check the communalities in order to determine the appropriate test for the factors segregation. Anyway, the communalities will use in the interpretation of got results (Table 6).

**Table 6**  
Review of communalities

	Initial communalities	Communality after segregation
Consulting services	1.000	.822
Institutional infrastructure	1.000	.747
Political stability	1.000	.890
Market liberalization	1.000	.935
Privatization of enterprises	1.000	.795
Competition	1.000	.867
Prices	1.000	.874
Exchange rate	1.000	.890
Taxes	1.000	.741
Education	1.000	.481
Management	1.000	.561
Technological development	1.000	.776
Business strategy	1.000	.665
Innovations	1.000	.747
Finances	1.000	.628

There can notice that the average value is higher than 0.7, so the Kaiser's criteria for factors determination has been satisfied, i.e. the previous table. The next step is the Table 7, which comprises the connection among all variables and extracted factors. The table is not reliable for interpretation, so due to it gets, so called, rotated stencil of components, i.e. the share of the variables in segregated factors (Table 8).

## Discussion

The agro-complex represents large sub-system of the total economy which comprises 1) industry of means for production in agriculture and food industry, 2) primary agricultural production, 3) industry for agricultural products processing (in final industrial food and industrial non-food products),

**Table 7**  
**Connections between variables and segregated factors**

	Factors				
	1	2	3	4	5
Exchange rate	.837				
Prices	.807				
Market liberalization	.767		-.411		
Taxes	.746				
Political stability	.740		-.459		
Institutional infrastructure	.716				
Competition	.677				-.514
Management	.582		.410		
Technological development	.533			.522	
Finances	.522	.514			
Consulting services		.723			
Innovations		.696			
Business strategy		.532	.403	.419	
Privatization of enterprises		-.487	.432	.480	
Education					

**Table 8**  
**Rotated stencils**

	Factors				
	1	2	3	4	5
Exchange rate	.880				
Institutional infrastructure	.773				
Prices	.684		.588		
Taxes	.604			.504	
Innovations		.779			
Business strategy		.761			
Consulting services	.446	.690			
Finances		.686			
Education		.575			
Privatization of enterprises			.871		
Competition			.579		.578
Management			.552		
Political stability				.749	.448
Technological development		.498		.689	
Market liberalization					.853

4) turnover of agricultural-food products, and 5) final food consumption. This big subsystem's essence is a complexity of functional connections and interdependence relations and conditionality among some segments (Milanović, 2002). The previous role of agricultural enterprises reflected in the following:

- Economy of scale of agricultural enterprises has provided the application of modern technique and technology and setting up and development of seed production,
- Concentration of experts has provided science and agro-technique development and their transfer to rural husbandries,
- Agricultural enterprises were a trigger for appearance and development of food industry in the same combine type organization,
- State, and later on, public property, as a base for setting up the state's impact on agricultural enterprises, has assigned a role of cheap products producers in terms of self-sufficiency preservation of primary agricultural products, strategic stability of the country and social security of population,
- Concept of agriculture development, which had provided a direct administrative control of courses in agriculture, had given these enterprises a role of an intermediary between rural husbandries, on one hand, and producers of inputs in food industry, on the other hand (Paraušić, 2005).
- Today, big systems in agro-complex do not face, in great extent, the problem of investments deficiency, as much as they face an obligation of privatization processes starting, which destroy them by already tested fragmentizing practice, by which was jeopardized also their survival (Belgrade Chamber of Commerce, 2008). There were separated repro-chains, as well as the primary agricultural production from processing, while on the market dominate traders and import lobby. There were lost all functions of one solid system, which had functioned in the previous period, based on big systems in agriculture, around which had gathered agricultural cooperatives and small owners.

In such conditions, a purpose of empirical research would be to determine the specific factors influence, among others also the consulting services, on enterprises' performances in Serbian agro-complex. From the table on the factors extracting and their share in the variance we can notice the following: factor 1 explains 41.43% of a phenomenon we study; factor 2 explains 14.02% of a phenomenon we study, factor 3 explains 9.1% of a phenomenon we study; factor 4 explains 8.62% of a phenomenon we study; factor 5 explains 6.85% of a phenomenon we study. It is obvious that these five factors represent 80% cumulatively, variances, i.e. explain the phenomenon we study. From the last table we can perceive which variables make these five factors. We will take the variables

which make the factor to be in correlation with it, which coefficient is higher than 0.6 (can be also 0.5).

- Factor 1 (Macroeconomic stability): Exchange rate, Institutional infrastructure, Prices, Taxes,
- Factor 2 (Innovativeness): Innovations, Business strategy, Consulting services, Finances,
- Factor 3 (Privatization): Privatization of companies, Competition,
- Factor 4 (Political-technological factor): Political stability, Technological development,
- Factor 5 (Competition in activity): Market liberalization, Competition.

It is noticeable that the variables were grouped in certain factors by their nature, and this what the factor analysis is for. The first factor could call *Macroeconomic stability*, the other one *Innovativeness*, and the third factor could be *Privatization*, the fourth *Political-technological factor*, and the fifth *Competition in activity*. The variables, which make some factors, can supplement by bringing down the criteria to 0.5 and then the review of each factor would be more detailed. The competition is in the factor 3 and the factor 5, which leads to a conclusion that these two factors are related by their nature. It is probably a consequence of comprehension, stated in the survey, that the terms like Privatization and Market liberalization are related to the term Competition.

## Conclusions

The significance of the subject analyzed in this paper is multiplied by a fact that a special accent was put on agro-complex of Serbia, as well as its actuality. Owing to it, in approach was necessary to do some forms of pre-research, studying, to deal with available literature, to study the processes in this field, which happen in developed economies in Europe, as well as behaviour phases of economies in surrounding countries, which had completed the transition or are close to it. All those experiences, as it is logical assumption, can point out to paths the Serbian economy is moving, the more the transition in European countries has been the same or similar, or it is the way it should be.

The research showed that in the Serbian agro-complex 80% of the variances in enterprises' performances could ascribe to a group of 5 factors: macro-economic stability, innovativeness, privatization, political-technological factor and competition in activity.

- Consulting services are, by its nature and connections with other variables, in the second group of the factors, which represents enterprises' innovativeness, which can be assessed as relatively significant impact on enterprises' performances in Serbian agro-complex.

- Surveyed enterprises in the agro-complex were evaluated the impact of the consulting services to the performances with the highest grades in the field of: products quality (4.2); satisfaction of consumers (4.1); skill and knowledge of employees (3.83) and values for shareholders (3.73).

In the previous research has started from the following hypothesis: The consulting services are the fifth development factor of enterprises' performances in agro-complex – besides education, management, finances and institutional infrastructure. However, the results of the factor analysis have caused different grouping of some variables, which affect on the enterprises' performances in the agro-complex of Serbia. Therefore, the consulting services are in the group of variables, which belong to the factor 2 – innovativeness.

The variables Education and Management, according to the given criteria of the factor analysis, were not comprised by final factors grouping, so in accordance to it, is necessary to redefine a starting hypothesis in compliance with previously stated research conclusions: A primary factor which affects on the enterprises performances in the agro-complex is macro-economic stability, which encircles the next variables: exchange rate, institutional infrastructure, prices and taxes.

The second best factor is innovativeness of the enterprises, which besides the consulting services, includes the innovations, business strategy and finances. These two factors describe more than 50% variances in enterprises performances of the Serbian agro-complex.

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