

## THE ROLE OF UNIVERSITY-LEVEL BUSINESS EDUCATION IN OVERCOMING THE CHALLENGES OF SME MANAGERS IN SERBIA

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### **Abstract:**

In an exploratory study, we conducted in-depth interviews with Serbian managers of small- and medium-sized enterprises (SMEs) to identify the main challenges that they have been facing in their work and the extent to which formal university-level business education has helped them to overcome these challenges. We find that the main challenges lie in human resource management- and marketing-related issues, followed by more country-specific problems such as dealing with bureaucracy, difficulties in obtaining financial resources, and coping with delayed payments. In line with criticism in the extant literature, Serbian SME managers see considerable deficits in the current system of university-level business education, specifically referring to a lack of practice-oriented teaching methods and insufficient cooperation between universities and the business sector. Suggestions for improvements of tertiary business education were also forwarded by the managers. This study contributes to a better understanding of the educational needs of managers who are representing an important part of the Serbian economy, which is strongly SME-based.

*Keywords: education, SME, management, managerial challenges, Serbia*

## 1. INTRODUCTION

A country's economic development is significantly influenced by both the amount and success of small and medium-sized enterprises (SMEs) (Birchall & Giambona, 2007) as well as by the quality of university-level business education (ULBE) (Brewer & Brewer, 2010). SMEs form the backbone of the Serbian economy. In 2010, 611,912 persons were employed in one of the 83,278 Serbian SMEs, while the country's 509 large enterprises provided 412,884 jobs (Statistical Office of the Republic of Serbia, 2012). The challenges that SME managers are faced with differ from those of large enterprise executives. ULBE, which we define as tertiary education which includes bachelor and master studies focused on business-related social science studies (such as, for example, business studies, management studies, finance, banking, organization, marketing, and business administration), however, often focuses on the management of large companies rather than taking care of the specifics of SMEs.

In the literature, we can find general concerns about the effectiveness of ULBE. For decades already, authors claim that business schools and business-related university programs often fail to adequately prepare students for a successful managerial career (Livingston, 1971). In this paper, we review the literature on ULBE effectiveness, explore the challenges of SME managers with a specific focus on the situation in Serbia, and evaluate to what extent the Serbian ULBE in its current form contributes to mastering these challenges.

## 2. THEORETICAL BACKGROUND

### 2.1. Effectiveness of ULBE

In a classic Harvard Business Review article, Livingston (1971) strongly criticized existing business education programs and questioned the effectiveness of business schools. This article triggered a general discussion about the effectiveness of formal business education, first in the US, later also in Europe. Critical voices especially questioned teaching methods which are mainly theory-based (Culliton, 1952; Livingston, 1971; Porter & McKibbin, 1988; Pfeffer & Fong, 2002; Atwater, Kannan & Stephens, 2008; Jurše, 2009; Benjamin & O'Reilly, 2011), the learning environment (Muller & Porter, 1997; Atwater et al., 2008; Stukalina, 2008), and the teaching qualifications of faculty members (Bennis & O'Toole, 2005; McGrath Gunther, 2007; Benjamin & O'Reilly, 2011). Pfeffer and Fong (2002) argue that many management teachers are lacking professional managerial experience, and are therefore often not able to effectively transfer the skills necessary for the managerial profession to the students.

A further stream of criticism revolves around a strongly market-driven education environment. In a competitive climate in which schools focus on profit rather than on student learning (Jurše, 2009), the influence of outside organizations and politics on ULBE can increase (Muller & Porter, 1997), and a trend towards 'edutainment' has been identified (Holbrook, 2004; Jurše, 2009).

A further frequently mentioned reason for the alleged low effectiveness of ULBE is poor adaptation of programs to a rapidly changing external environment, as technologies and markets develop at an unrelenting pace (Atwater et al., 2008). Stukalina (2008), for example, argues that curricula, contents, and teaching methods should become more flexible to adapt to technological, managerial, and pedagogical changes. Pfeffer and Fong (2002) pointed out the importance of connecting business management with other professions, following their observation that very often, cross-functional solutions are needed in dynamic environments.

Mintzberg and Gosling (2002) even claim that management cannot be taught solely on a theoretical basis in business schools, and that only students with previous managerial experience are able to develop essential managerial skills. Therefore, different authors call for an integration of multidisciplinary education, teamwork, and managerial practice in ULBE (Livingston, 1971; Pfeffer & Fong, 2002; Stukalina, 2008; Benjamin & O'Reilly, 2011).

### 2.2 University-level business education in Serbia

In 2003, a process of modernizing the higher education system in accordance with the Bologna framework was launched in Serbia. In 2010, the new Serbian National Qualification Framework came

into action (EHEA, 2003). Through these developments, Serbian ULBE has become structurally comparable with ULBE in the European Union. The European Commission also played an important role in shaping the new education system and in the reorganization of study programs in Serbia (Jurše, 2009). The number of social sciences, business and law graduates rose from 9,899 in 2009 to 11,216 in 2010 (Statistical Office of the Republic of Serbia, 2013).

At the same time, however, research results reveal that students only acquire limited problem-solving skills and competences for implementing theory into practice (Damnjanovic, 2010). Further challenges that are shaping the Serbian higher education environment are connected with a changing role of management in society, a changing political and economical environment in Serbia (especially also the high influence of politics on education), and the increasing internationalization of higher education. Criticism of Serbian ULBE also relates to poor cooperation between the business and education sectors, especially regarding the development of education programs according to the real market needs; insufficient cooperation between students and local companies in real case projects, master theses or seminar papers; and a lack of assistance for graduates to find their first job among partner companies (Damnjanovic, 2010). Serbian ULBE is still often seen as an old-fashioned teaching system with 'learning-by-heart' teaching methods and very individualistic teaching approaches. Smirnov (2008), for example, suggested a modernization of the general teaching approach, including enhanced teamwork, providing opportunities for applying problem-solving strategies, and searching, combining, and evaluating knowledge from different sources. Further suggestions for an improvement of the Serbian ULBE system include a reduction of the influence of the government on education, increasing the proficiency of teaching professionals in using modern teaching methods, and offering programs that are more relevant for current labour market requirements (Damnjanovic, 2010).

### 2.3 General challenges for SME managers

SME management has been increasing in complexity in a dynamic, globalized environment compared to the past, when many SME managers often relied mainly on business instinct (Engstrom, 1967). Rutherford, Buller & McMullen (2003, p. 41) argue that "daily there are more than thousands of firms that do not succeed in business mainly because of their managerial incompetence". Success of SMEs thereby depends on recognizing key managerial challenges and finding well-defined solutions for those challenges (Rutherford et al., 2003).

Commonly mentioned challenges for SME managers are related to the fields of sales, marketing, and distribution; human resource, employee relations, and teamwork; financial management; and general management, growth, and adapting to the external environment (Dearborn & Simon, 1958; Walsh, 1988; Terpstra & Olson, 1993; Huang & Brown, 1999; Rutherford et al., 2003):

- *Marketing and sales challenges* for SME managers include a lack of financial resources for marketing (Weinrauch et al., 1991), poor marketing knowledge and competences (McGrath & O'Toole, 2011; Huang & Brown, 1999), customer communication, public relations, sales, choosing the right target market, searching for the best location, pricing, and competition assessment (Dodge & Robbins, 1992; Huang & Brown, 1999).
- *HR management challenges* for SME managers include the complexity of the HR management system and a lack of competences to handle all aspects of it, especially the selection process, HR planning, performance and reward systems, trainings, paperwork, and skills development of employees (Baird & Meshoulam, 1988; Tocher & Rutherford, 2009).
- *Financial challenges* for SME managers include a lack of knowledge, especially in accounting, financial planning, poor cash-flow, financial resources allocation, approvals of credit and loans, and participating in government grant application processes (Dodge & Robbins, 1992; Huang & Brown, 1999). SME managers are usually expected to also have more difficulties in cooperating with banks as well as worse conditions for obtaining credits compared to their large corporation counterparts (Visinescu & Micuda, 2009).
- *General management and SME growth challenges*: During the launch and growth phases of a company it is essential for managers to have the ability to recognize opportunities and customer needs, plan, choose a service or product delivery path, implement new technologies, establish financial control, delegate tasks, communicate effectively, and take the right decisions at the right time (Kroeger, 1974; Dodge & Robbins, 1992; Shane & Venkataraman, 2000; Kontinen & Ojala, 2011). Huang and Brown (1999) argue that many SMEs are usually established by enthusiastic individuals who in later stages of a company's development lack the necessary managerial know-how. Problems may also arise in SMEs

because the entire decision-making process and responsibilities are focused on one person (Huang & Brown, 1999; Percy, Visvanathan & Watson, 2010). Further general management challenges for SME managers include inventory planning, cost control, organizational design, and dealing with influences from the external business environment (Dodge & Robbins, 1992). Also ethical challenges are more frequently experienced, especially in an international business context (Jamnik, 2011).

Although most of the issues outlined above are not country-specific, there are also cultural and institutional factors that can have an influence on the challenges that SME managers are facing.

## 2.4 Specific challenges for SME managers in the Serbian business environment

In the *Global Competitiveness Index* report 2012-13, Serbia ranked 95<sup>th</sup> out of 144 countries (World Economic Forum, 2012), in the *Ease of Doing Business* report 92<sup>nd</sup> out of 183 countries (The World Bank, 2012). Although the Republic of Serbia is in the process of transition towards a market economy and since 2011 has been holding the official status of a candidate for membership of the EU, culture, business, and society are in many ways still influenced by the communist era, in which Serbia was an integral part of the Socialist Federal Republic of Yugoslavia (Ognjanov, 2006).

Flexibility, tradition, interest, knowledge and experience are very appreciated business values in Serbia, as is a communication style that is people-oriented, preferably face-to-face, and very expressive (Ognjanov, 2006; Radonjic, 2010). Building long-term relationships with business partners, gaining trust, and strong personal network connections are seen as essential for managers doing business in Serbia, as relationship building is a highly valued business characteristic (Radonjic, 2010). Another specific challenge for SME managers in Serbia relate to legislation and the rule of law. A lack of implementation of European laws in the Serbian legislation and a strong influence of ministries on the legislation process were particularly criticized (OECD, 2011).

The combination of historical heritage, business values, culture, and the political and economic environment causes corruption, bribery, and fraud, which are considered as being important issues in Serbia. In the 2012 *Corruption Perception Index*, Serbia ranked 80<sup>th</sup> out of 174 countries (Transparency International, 2012). Bribery and corruption were found to be widespread in processes like obtaining licences, among political elites, and in the form of insider deals and money laundering (OECD, 2005; Upchurch & Marinkovic, 2011). It is therefore challenging for managers to stay independent and avoid illegal businesses in a country where corruption is still considered as an important issue in the business environment.

Another highly relevant challenge for Serbian SME managers lies in obtaining the necessary financing for their business operations and business development. This is due to very high interest rates, an unstable political and economic environment, a low level of bank trust and high guarantee requirements (OECD, 2005). The most important source of SME financing are still internal financial resources, such as owners' equity, family money, and retained earnings (Marchese & Potter, 2006).

## 3. METHODS

In this exploratory study, following Hatch (2002), we used informant interviews to identify the main challenges perceived by Serbian SME managers and the role that ULBE plays in helping them to overcome these challenges. The interviews were conducted by the first author during May and June 2012. As suggested by Davis (2000), two pre-study interviews were held with candidates with a similar profile to the interviewees in the main study. The semi-structured interview guideline was slightly adapted based on the findings of the pre-study. Pre-study interviews were not subsequently included in the analysis. Twelve in-depth interviews were then conducted, of which nine had an adequate quality to be included for further analysis and discussion. Because of time restrictions, two candidates expressed their wish for shorter interviews. The average length of the remaining interviews was 50 minutes (with a range from 30 to 60 minutes). All interviews were conducted in English language. The interviewees were also promised complete anonymity.

The contacts were obtained in different ways. Twelve universities from across Serbia (5 state-run and 7 private) were contacted and asked for either their alumni contacts, or to forward an introduction e-

mail to their graduates. Furthermore, e-mails were sent to 172 Serbian SMEs, and finally, connections were also made through the Chamber of Commerce, personal networks, social media including Facebook, Xing, and LinkedIn, and with the assistance of interviewees. The final interviews were made either by telephone or on Skype. All interviewees graduated from programs focused on economics, management, or business, at either a private (3) or public (6) ULBE institution in Serbia (see also Table 1 for interviewee profiles).

Standard content analysis procedures were used to elicit the main constructs that the respondents referred to in the interviews.

**Table 1:** The profile of the interviewees

Gender	Age group	Industry	Firm size	Management experience	International experience						
Male	6	21-30	2	Engineering	3	Micro	3	1-3 years	4	Europe	4
Female	3	31-40	4	Consulting	2	Small	4	4-6 years	3	Overseas	3
		41-50	2	Tourism	1	Medium	2	7-9 years	1	No exp.	2
	60+	1	Marketing	2	10+ years			1			
			Publishing	1							

## 4. RESULTS

We present the results of our empirical research in three sections: First, we summarize the key challenges for SME managers in Serbia and their main strategies to overcome these challenges. Second, we provide an insight into SME managers' perception of ULBE in Serbia. Finally, we focus on the role that SME managers see for ULBE in overcoming their main challenges. We also include direct quotes from the interviewees to illustrate the main findings.

### 4.1 Challenges for Serbian SME managers

Respondents highlighted eight areas of challenges that they face in their role as SME managers: (1) human resources, (2) bureaucracy, government and legal regulations, (3) payment delays and financing, (4) marketing and sales, (5) business and personal networks, (6) growth of the company, (7) organization of work, and (8) corruption.

The most frequently mentioned challenges within the area of human resources were a lack of motivation and responsibility of employees, manager's self-motivation, loyalty, lack of eagerness to learn, conflicts between a rigid old and an irresponsible young generation, the employee attraction and selection process, the organization of people, and teamwork.

*"you need motivated people, you need very good communication, you need sophisticated management practices and it is very important to have all these things on the table at the same time." (Manager D)*

*"Challenges we were faced with were always a lack of any kind of [break] – well let's say – organization, yes, self-organization, self-motivation. Too many people are money and not result-driven." (Manager G)*

SME managers stated that they cope with some of these challenges through asserting their authority, using bonus systems, and organizing social events for employees. Managers also referred to the use of mentoring or training approaches. For the employee recruitment and selection process, personal networks are often used in combination with creative interview techniques.

*"These people are working for a pay-cheque, plus they have bonuses for every effort they make. I think this is the best model for any type of motivation." (Manager F)*

*"To be honest, the old people, I am managing through my authority. That's the only way. They do it because I said it and nothing else." (Manager E)*

*"We really like to hire people that are relatives or are children of good workers. So many people are family connected." (Manager A)*

The second category of challenges relate to the areas of bureaucracy, government, and legal regulations. The SME managers generally perceived administrative processes in Serbia as very slow, time consuming, rigid, and inefficient. They did not have a feeling that much can be done about it, and have become accustomed to it. Managers also pointed out bad communication between business and

politics when the latter is imposing new policies, no real strategy for business, and a high dependence on personal networks and connections. To their mind, the legal system in Serbia is strongly focused on protecting big corporations, with SMEs being left behind. Consistent with their view of politics, SME managers see lobbying as a crucial activity for small companies to survive in Serbia.

*“We actually have a lot of issues with bureaucracy, also with all other similar things, but we are accepting this environment as something that can't be changed.” (Manager D)*

*“I think the problem is that we don't have strong enough institutions here in Serbia.” (Manager B)*

*“If you have some background and get some scores from a political party, then you can continue with your project and if you don't, you can't.” (Manager D)*

A further important challenge for Serbian SME managers is liquidity management. This is particularly due to client payment delays and generally very long time frames for payments, especially of higher amounts. They therefore see good long-term relationships with both suppliers and customers as a key for survival in business. As the banks demand an excellent historical record, strong accounts, high interest rates, and guarantees in the form of taking mortgages against private property, external credit financing is often not an option for smaller firms.

*“the liquidity is the main problem. Financing not so much but liquidity is, especially during big businesses.” (Manager C)*

*“I am not sure that a lot of people would just have this – let's say – strength to get into all this. It is very uncertain. You really do not know if you will be able to pay this loan.” (Manager B)*

A fourth category of challenges relates to the area of marketing and sales, and includes finding ways to increase the number of customers, following new trends in marketing such as direct marketing, as well as dealing with a shrinking and financially limited domestic market and an increasing number of competitors.

*“how to explain to the people how they can benefit from this type of marketing, you know, the differences between direct marketing and other kind of marketing development in the past.” (Manager F)*

*“the market is small and the competitors are too large in numbers. [...] small companies, not really a threat, but when you have 10,000 of those small ones, well, that becomes a problem.” (Manager C)*

The main strategies to overcome the marketing- and sales-related challenges are long-term relationship building, tactical planning, innovative and unique ideas, observation of new trends, combination of modern media and good management of contact lists, and finally – very important in Serbia – strong reliance on word of mouth.

*“I established a good web site with social and business network activities, [...] we organize our contact list, call and directly sell our services, [...] our marketing strategy for first two years is the word of mouth system” (Manager H)*

*“We prepare some programs for them [customers] – usually two days – and we do it somewhere in the mountain. And that is something that only we are doing in Serbia.” (Manager I)*

Building strong business and personal networks is seen as crucial for a long-term market presence. This includes searching for partners, maintaining good relationship with current business partners and clients, and participating in business associations. Personal networks are also seen as being important for attracting new employees, although less so in the final hiring decision.

*“If you have connections in a certain company you will be able to get a job or you will be able to get a client and if not, you are in a big trouble. It's really hard to prove yourself by just being a good quality person with great knowledge” (Manager B)*

*“Every recommendation from a family, friends [...] it is OK, but at the end of the story I cannot employ somebody that has no experiences in my type of business.” (Manager F)*

Growth of the company was mentioned only by a few SME managers as a key challenge. The need to prepare short- and long-term plans, future income and cost estimations, and presentations to business partners were, however, pointed out by respondents. SME managers also used external help, turnaround management programs, different organizational practices, and intuition to choose the right time and way of change.

*“we had an excellent consultant from England [...] He was here as one of our employees and he knew very well all the processes and all managers in a company” (Manager E)*

*“you have to have some project manager, some facilitator or any kind of person who has to be out of day to day work or operations and just concentrated on management [...] So we have two educated and dedicated people just for operational management” (Manager D)*

The seventh category of challenges relate to the organization of work. Constant time pressure, delivering the best results in a short time frame, the complexity of work, and attending to all the important small details were of managerial concern in this field.

Corruption was not referred to as being a main challenge by managers, although they did agree that it is a common characteristic in the Serbian business environment. They also recognized a grey area between lobbying, which they consider as crucial in business, and illegal corruption. Respondents stated that ‘direct corruption’ rarely happens; more frequently, SMEs are offered businesses in exchange for part of the profit. The managers also acknowledged that taking suspicious offers can make a company dependent, while rejecting them often means losing important market opportunities.

*“I will get you this job but you will have to give me a part of your profit.’ And this is how it works here. It’s very open.” (Manager B)*

*“once we would start with this then it’s very hard to be independent. [...] Of course it is hard to know that we lost good business. We had so many cases that we lose some part of the market” (Manager I)*

#### **4.2 SME managers’ perception of ULBE in Serbia**

The interviewed SME managers voiced criticism of teaching methods, curricula and the quality of teaching faculty of higher education institutions. During their formal business education, they were provided with a lot of theory and only very limited practical experiences, although three alumni from a private university reported the use of practice-oriented case studies as a teaching method. The curriculum was mainly theory-based, and the managers generally missed applicable knowledge (e.g. about business start-up, the complex structure of an organization, project management, ‘soft’ managerial and communication skills, teamwork, and team decision-making). Programs were considered as old-fashioned, and as students, the managers did not notice much cooperation between higher education and local businesses.

*“a bunch of old-fashioned methods, tools and techniques that are outdated and completely unrecognized on the market.” (Manager G)*

*“we didn’t get any experience during the college, I didn’t have any experience that would be provided from my college like internship or something like that.” (Manager F)*

*“There are no subjects that teach young managers how to behave, how to talk to people, how to treat their valuable assets – it’s human assets, of course.” (Manager B)*

*“The best and famous event is the Case Study Show where students solve real company problems every year [...] It’s a real company, a real problem.” (Manager H)*

Managers also complained about standards in the teaching profession. A common line of criticism referred to professors that often have a solid academic background but no professional experiences, as well as to faculty members without sufficient knowledge about the requirements of today’s business world and the trends on the market. Three alumni, however, also expressed satisfaction with part of their professors, especially those who gave some practical examples or organized guest lecturers.

*“they don’t know really anything about how to make money. They just know things theoretically and they are telling big stories about this and that but they don’t really know how to turn around 100 Euros.” (Manager I)*

*“We had both of them. And we always liked those more who have some experience and also academic knowledge.” (Manager E)*

Other perceived weaknesses of ULBE that were mentioned in the interviews were a lack of business experiences of the students as well as of cooperation between companies and the universities.

*“Education which you take after you already have some experience on managerial area can be much more useful and is better accepted than education that you take without previous experiences.” (Manager D)*

*“there is no absolutely modern practice or any kind of internship model in most of universities, both private and state. [...] basically we were depending on ourselves where to go after [studying].” (Manager G)*

### 4.3 The role of ULBE in overcoming the challenges of Serbian SME managers

The interviewed SME managers pointed out some positive outcomes of formal business education, such as the opportunity to access different data, libraries, and web pages, and to learn individually from these sources. Furthermore, they recognized the opportunity to build a strong network of professionals from different programs. Nevertheless, they tend to see formal education only as a first step that provided them with a basic overview of the market system, but did not help them to understand private business practices and to survive as entrepreneurs. Most managers stated that they also needed additional learning, seminars, and experiences.

*“I met all these people [experts in different areas] during the studies at the university. I mean in different faculties, but in university you can always find the right people to cooperate with.” (Manager G)*

*“it made me aware of where to look and how to look and to understand things, but logical conclusion making –no.” (Manager F)*

To compensate for what they did not get during their formal business education, managers turned to external education providers, education abroad, seminars and trainings, business networks and business partners, family and friends, self-teaching, and relied on year-long practical experiences.

*“I talked with people from different type of businesses or with the people with whom I can exchange my ideas and [...] who got some experiences in solving similar problems” (Manager F)*

*“my mother is still in the office so she helps a lot. She worked here so long. [family business]” (Manager C)*

*“And every decision now I am making on those things [experiences] that I have learned in last 20 years. It’s not the university, the university I just forgot very first.” (Manager I)*

Finally, based on what managers were missing in their own ULBE and on the knowledge and skills they had to acquire additionally, SME managers gave some recommendations for the further development of business education. The main improvements that they proposed related to changing the curriculum and adding additional courses, modernizing teaching methods and cooperating more with the business sector, introducing internship systems, higher entrance requirements in terms of students experiences, employing more experienced teaching professionals, and introducing psychological evaluations of students at the end of each semester.

*“it must be not only delivering the knowledge but asking from students to give you the problems and at the same time give you the solutions.” (Manager E)*

## 5. DISCUSSION AND CONCLUSION

The results of the empirical research among Serbian SME managers confirmed many of the findings from the extant literature. The most frequently mentioned challenges referred to the areas of human resource management, marketing and sales, and general management, supporting prior research results, such as, for example, of Huang and Brown (1999). SME managers were also faced with challenges such as market assessment, customer contact, competition assessment, and a lack of financial resources for marketing, as suggested by Dodge and Robbins (1992). Moreover, managers confirmed that time pressure, decision-making, the dynamic and unstable business environment, organizational growth, and choosing the right time for reorganization were also relevant challenges, which is consistent with the findings of Miller and Toulouse (1986), Huang and Brown (1999), and Ray, Baker and Plowman (2011).

Turning to the specifics of the Serbian business environment, the respondents confirmed that the observations of Kovalainen (2006), Ognjanov (2006) and the OECD (2011) concerning the inadequate implementation of laws, unfair competition, irrational implementation of rules, a high level of bureaucracy, and a slow, rigid administration especially also have relevance for SMEs. For doing business in Serbia, personal and business networks are highly important especially for obtaining financial resources, for attracting employees, and to close business deals (as proposed by Ognjanov, 2006; Radonjic, 2010). Further country-specific challenges that received support in the empirical study were general difficulties in obtaining government grant assistance, credits and loans, as well as strict bank policies (Huang & Brown, 1999; Visinescu & Micuda, 2009). A major challenge that has not been



covered in the reviewed literature were payment delays, especially also from large corporations, the government, and public institutions.

Turning to ULBE, its main aim lies in providing students with all the skills and competences relevant for their future managerial career (Jurše, 2009). The main lines of criticism in the extant literature, particularly an overly strong focus on theory and a lack of attention to practical work and experiences, are also echoed by Serbian SME managers. In line with Bennis and O'Toole (2005), SME managers perceived a lack of professional experiences of teaching professionals as a problem, making the translation of theory into practice more difficult (Pfeffer & Fong, 2002). Managers also complained about 'old-fashioned' teaching methods, urging for a combination of managerial practice and modern pedagogical tools to be used in classes. Furthermore, SME managers agree with Damnjanovic (2010) that cooperation between the business and education sectors is not sufficient and should be better implemented into the teaching plans. In general, our research confirms Livingston's (1971) proposition that students are lacking practical experiences, which in turn lowers the (perceived) quality of ULBE. The SME managers also pointed out that theory and classes would be more effective if students already understood the managerial profession from their own practical experience.

Based on their experiences from both formal business education and managerial practice, the managers proposed some improvements for ULBE in future. The main suggestions, modernization of teaching methods and better connection of the business sector to ULBE; adding additional courses to the curricula, especially related to managerial soft skills and the nature of managerial work; and raising the requirements for student enrolments and faculty members, especially in terms of previous business experiences, support Stukalina's (2008) advocacy for a multidisciplinary and interactive approach to study, Livingston's (1971) and Pfeffer and Fong's (2002) call for obligatory internships for every business education program, and Engstrom's (1967) and Mintzberg and Gosling's (2002) suggestions to put more emphasis on courses such as managerial soft skills, communication, law, and psychology in business education programs.

This paper presents a first exploratory study into the challenges that Serbian SME managers are facing and whether they perceive ULBE as supportive in overcoming them. One of the main limitations of this research, however, is that it is based on the analysis of only nine interviews. Together with the fact that due to a low response rate to the interview requests, the respondents graduated from two universities only, one private and one public, the results cannot be generalized. Further quantitative research would be desirable and could also focus on the differences of the perceptions of alumni from private and public universities. A quantitative approach could further also reveal statistical relationships between the length of tenure as a manager or international experiences and the perception of the practical value of ULBE.

The research objectives of this study were (a) to identify the main challenges that SME managers in Serbia are facing, and (b) to examine the role and effectiveness of ULBE in overcoming these challenges. The results of our research reveals that human resource management and marketing, followed by bureaucracy and financial issues are of greatest concern to Serbian SME managers, and suggest that they are not satisfied with the ULBE that they received in Serbia and its capacity to support them in dealing with their challenges. Especially solely theory-based curricula were strongly criticized, as were old-fashioned teaching methods and a lack of practice-oriented teaching. The study also showed that managers would like to see more practical experiences, internships, and interdisciplinary teaching methods in ULBE programs, and would appreciate more faculty members with practical business experience. SMEs are forming the basis of a viable and sustainable economy, especially also in Serbia. It is therefore also important to take the needs of SME managers into account when designing ULBE programs. This study provides a first step to a better understanding of the specific requirements of this important target group of ULBE in Serbia.

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