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STRATEGIC MANAGEMENT IN THE FUNCTION OF ENTERPRISE SURVIVAL AND ECONOMIC DEVELOPMENT OF BOSNIA AND HERZEGOVINA IN CONDITIONS OF COVID-19

ABSTRACT

The focus of the paper is on the analysis of the importance and impact of strategic management and strategic decision-making on the survival, recovery and exit from the crisis of companies in Bosnia and Herzegovina, formed under the influence of coronavirus COVID 19. Many companies in Bosnia and Herzegovina were unprepared, not having a strategy at all. The aim of this paper is to point out the importance of strategic management and general strategic thinking in order to survive the companies of Bosnia and Herzegovina in crisis. The methodological concept of the research includes the method of estimating the proportion of the basic set on the basis of large samples, the method of comparative analysis, the method of deduction and the method of statistical analysis. The results of the research show that companies that have a strategy and manage strategically endured the crisis more easily. The results show a direct connection between strategic management - overcoming the crisis and recovery or growth and development of enterprises, which affects the economic development of Bosnia and Herzegovina. Such companies found a way out of the crisis more easily. Strategic management has not even led to the crisis some of them.

Keywords: Strategy, management, survival, enterprise, Bosnia and Herzegovina;

JEL: M12, H12, M21;

1. INTRODUCTION

Crises and changes are constants that follow the development of human civilization from the very beginning until today. It is considered that today the word Crisis is the most used word when talking about the economy and economic trends in general. There is almost no world-famous company that does not face a crisis and problems in its existence in business.

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The question should not be asked at all whether sooner or later the crisis will affect any organization, but the way in which it will respond, react and find a solution to get out of it. Therein lies the key. The negative consequences of the last crisis were the greatest in terms of values in the history of the world economy. It turned out that there are no “untouchable” and “isolated islands” and that we are all part of one big world economic system. This has resulted in raising the seriousness of key decision-makers in companies, a greater degree of cooperation with company owners and the application of various strategic alternatives to corporate restructuring.

Strategic decisions include defining the business, products and markets that will be served, the functions that will be performed, issues related to technology, human and other resources that will be used, long-term financing, etc. They are unique in nature, non-routine and very often unrepeatable. Strategies play a central role, as they represent a kind of way to achieve organizational goals. If we look at the companies of Bosnia and Herzegovina, we can see that the coronavirus has brought many of them to the brink of bankruptcy. If we look at 2020 (19.389.000.000,00 (\$ million)) - GDP compared to 2019 (\$ 20.164.193.806,88 million) - GDP, there was a decline in economic activity, and also a decrease in foreign direct investment from 390.210.690,89 million \$ in 2019, to 273.147.483,63 million \$ in 2020 (World Bank, 2021) The reasons for such developments should be sought in the lack of strategic management! Which defines the problem of this research work.

Hypothesis H0: Strategic management contributes to better business results and survival in a crisis. In addition, it is necessary to provide answers to some other problematic questions such as the impact of strategic management on the survival of the enterprise and how to improve strategic management. The subject of the paper refers to the field of strategic management and the need for recovery of the companies of Bosnia and Herzegovina, and thus the economy of Bosnia and Herzegovina.

2. Literature review

Making quality business decisions in the field of strategic management requires managers to have a good knowledge of the basic problems and an understanding of the company's crisis. For a more successful understanding of the corporate crisis, it is necessary to analyze the basic common specifics of the corporate crisis. Although each crisis is different, there are some common characteristics. Understanding the common characteristics of a crisis will help you develop a practical and reliable crisis response plan in your company. One of the most comprehensive approaches to analyzing the specifics of corporate crises was given by famous professors Arjen Bojn and Sanneke Kuipers from Leiden University and Professor Paul 't Hart from Utrecht University in their work *The Crisis Approach*, published in 2017.

They point out three common specifics of the enterprise crisis (Boin, Hart and Kuipers 2017, Seeger, Sellnow and Ulmer 1998): 1) Threat - It implies the threat to key values in the enterprise and ultimately the survival of the enterprise, 2) Time constraint - Often the first symptoms of a crisis require an urgent response from the company's manager and 3) Insecurity - There is a tendency of insecurity, fear and panic, after the crisis. One of the very original contributions is the work of Smart, C. F., Thompson, W.A. and Vertinsky, I. entitled *Diagnosing Corporate Effectiveness and Susceptibility to Crises*, 1978. Those by crisis imply the existence of a situation in which there is a danger of high intensity (Smart, Thompson and Vertinsky, 1978). Hence, the process of strategic management basically includes three basic, interconnected segments of activities that permeate the entire process of strategic management, direction and implementation of company activities.

They also represent three central issues of strategic management, namely, strategic analysis, strategic choice and strategic implementation (Author according to, Johnson i Scholes, 1988, Todorović 2003). Strategic management respects multiple time horizons - Strategic management involves connecting the long-term horizon and thinking with short-term operational and tactical moves and business. It involves a constant combination of long-term and short-term thinking. An immeasurable contribution to the development of strategic analytics was made by Harvard Business School professor Michael Porter in his books (*Competitive Strategy*) (1980), (*Competitive Advantage*) (1985) and later in the book *Competitive Advantage of Nations* (1989). Professor of Strategic Management at Francis Marion University in South Carolina, Fred R. David in his book, "Strategic Management: Concepts and Cases," links strategic management and the strategy formulation process to changing the mission and strategy of a business (David, 2001), focusing on the basic long-term goals and tasks of the company, implementing the action and allocating the resources necessary to achieve the goals (Chandler 1962).

The strategy is also a framework for decision-making and implementation of actions (Mintzberg 1978). One of the most widely used is the BSC model of the list of harmonized goals (Kaplan and Norton, 1992). According to the Daily (1994), strategic management is particularly important for companies in crisis, which are threatened with bankruptcy (Daily, 1994). Strategic management is extremely important, as well as strategic thinking, which significantly affects the business results reflecting on economic development (Damodaran, 2015). To achieve this goal, company management should pay special attention to the preparation of a quality strategy (Eden and Ackermann, 1998). Gilson (2010) believes that it is through strategic restructuring and strategy change that value can be created or preserved (Gilson, 2010). There are many reasons for the crisis and the collapse of the company, one is certainly the disrespect of the strategy (Healy, Paul, Palepu and Krishna, 2003).

The process of formulating a strategy requires a number of alternatives and strategic options, taking into account the constant changes in the world we live in (How constant and dynamic changes are today, as well as the area of restructuring, is best evidenced by the fact that, in the meantime, the world was hit by a new global economic crisis caused by the deadly coronavirus COVID 19), which significantly affected the reduction of foreign direct investment (FDI) and the development of the economy of Bosnia and Herzegovina.

3. Methodological concept of research

Based on the preliminary research, we found that the strategy is mostly present in large companies in Bosnia and Herzegovina, as a planning document. Members of the board are familiar with the essence of the company's strategy. In order to stratify the sample, we performed segmentation of the size of the company according to the criterion of asset value (over 4,000,000 BAM large companies, according to the Law on Accounting and Auditing of Bosnia and Herzegovina). Thus, the research stratum that was the subject of the research consisted of 2137 large companies in Bosnia and Herzegovina. The research was realized in the period 2019-2020, and it refers to the period (strategic management practice from 2015-2020). Based on the defined and collected basic elements of the research, we claim that the sample is large enough and representative for given research, which we will continue to prove statistically with a reliability coefficient of $(1-\alpha) = 95\%$, ie. with an error risk of $\alpha = 0.05$. Based on the research results, we collected results for 147 companies, of which the management in 81 companies is strategically managed (it has a clearly defined strategy - vision, mission and goals). In the following, we tested the representativeness of the sample for Bosnia and Herzegovina.

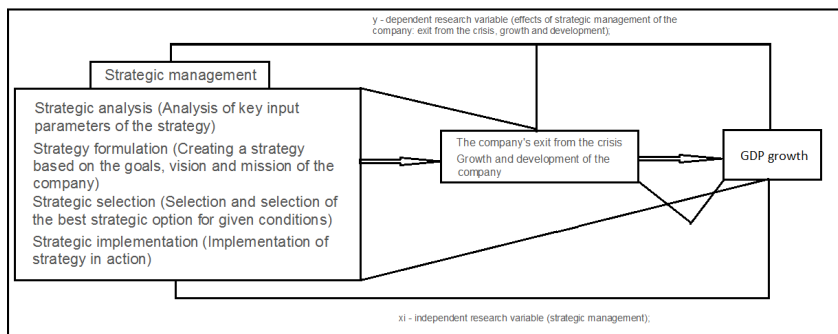
Table 1: Estimation of the proportion of the basic set based on large samples - Bosnia and Herzegovina

	Value
N value	2137
N	147
$(1-\alpha)$	0,95
A	0,05
$n/N \geq 0,05$	0,068788
n1	81
p value	0,551020
Sp	0,039733
Z value	1,96
$\pi \geq$	0,473145
$\pi \leq$	0,628896

Source: *Author's research*

The research concept starts from the dichotomous classification of elements into those that have and those that do not have a certain property both in the sample and in the basic set. The research covered all companies in Bosnia and Herzegovina, classified on the basis of stratum, ie. 2137 of them, which was the basic set $N = 2137$. The research sample consisted of 147 large companies, ie. $n = 147$, which we statistically claim to be large enough for a given basic study. The selection rate is $n / N = 0.06878802 \geq 0.05$, so it is necessary to use the correction factor $\sqrt{(N-n)/(N-1)}$, when calculating the standard error of proportion sp , proportion from the sample, participation interval and the total number of large companies in Bosnia and Herzegovina that have a strategy, including the time of research. The number of companies from the research sample that have a certain characteristic, ie. which have a clearly defined strategy in the scope of the research period is 81, ie. $n_1 = 81$. The proportion from the sample represents the ratio between the number of elements from the sample that have a certain property and the number of elements selected in the sample, so that the p-value is: $p = n_1 / n = 81/147 = 0.55102041$. The standard error of proportion is $Sp = \sqrt{p(1-p)/(n-1)} \sqrt{(N-n)/(N-1)} = 0,03973257$. For the given conditions and the research concept, we apply the statistics of the Z test, so that $Z\alpha/2 = 1,96$. According to the obtained values, statistically observed, the estimate of the proportion based on the relation (Žižić, Lovrić, Pavličić, 2000), $p - Z\alpha/2 sp \leq \pi \leq p + Z\alpha/2 sp$, is $0,47314457 \leq \pi \leq 0,62889625$. Based on the obtained evaluation interval, with the risk of error $\alpha = 0.05$, we estimate that the participation of companies that have a clearly defined strategy in the total number of large companies in Bosnia and Herzegovina from the basic set in the range from 47.32% to 62.89%. If the obtained interval is multiplied by the size of the basic set, we get: $1011 \leq \pi N \leq 1344$. Given that in our study $n\pi > 5$ and $n(1-\pi) > 5$, which refers to large samples, we prove that our research sample is large and representative for a given statistical survey. The conceptual model of the research is given below.

Model of the impact of strategic management on business operations and economic development of the country



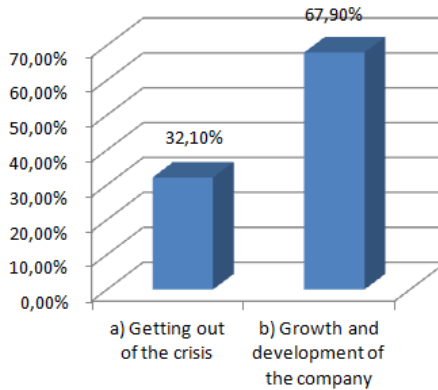
Source: Author's research

Based on the created conceptual model of research, sampling and conducted research, the following results were obtained.

4. Research results

The results of the research, based on the analysis of the situation of the companies of Bosnia and Herzegovina are as follows:

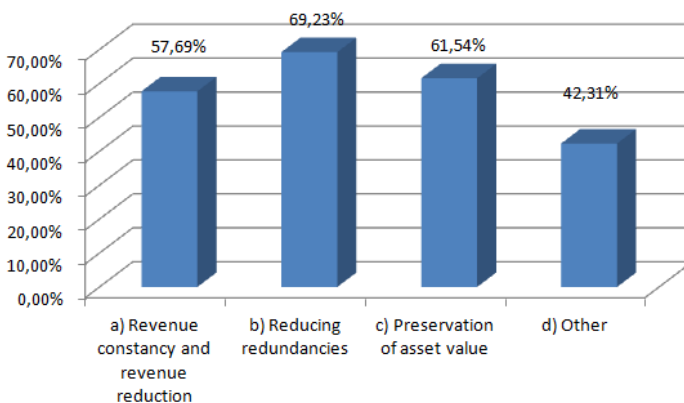
Graph 1: The goal of strategic management



Source: *Research results*

The results of the research show that 32.10% of companies use the strategy for overcoming the crisis, in terms of recovery. Also, 67.90% of companies strategically manage the company in order to grow and develop and achieve better business performance. In the next part of the research, the results of the goals of strategic management were obtained.

Graph 2: The strategy had a positive impact on the results of overcoming the crisis

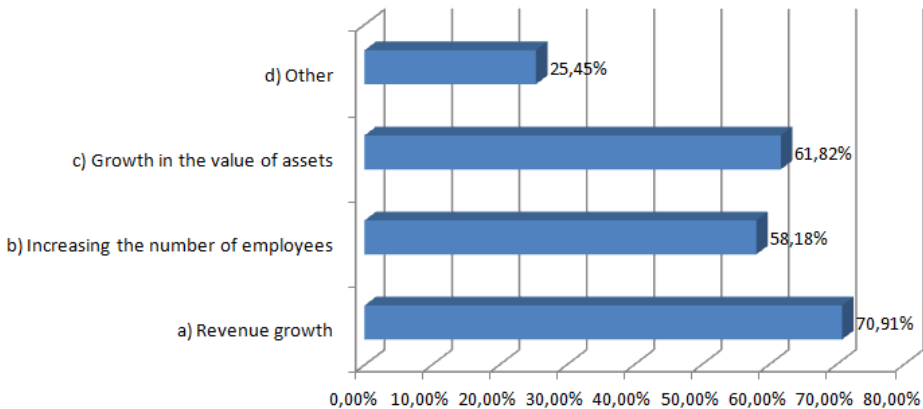


Source: *Research results*

According to the results of the research, goals of the companies that strategically managed to overcome the crisis were: 57.69% (Revenue constancy and revenue reduction), 69.23% (Reducing redundancies), 61.54% (Preservation of asset value) and 42.31% (Other targets).

It is important to point out here that individual companies have several goals at the same time, which are listed here. Certainly, the ultimate goal for these companies would be to get out of the crisis and recover. Below are the results for companies that use strategic management for growth and development.

Graph 3: The strategy had a positive impact on the results of growth and development through



Source: *Research results*

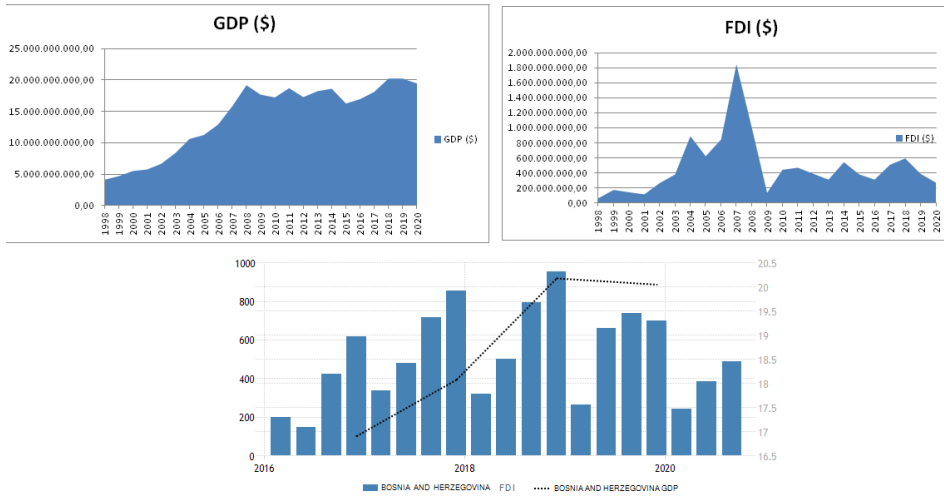
Based on previous results, we can see that 70.91% of companies that manage stretching, aim for Revenue growth, then increasing the number of employees (58.18%), Growth in the value of assets (61.82%) and 25, 45% have other goals based on strategic management. Based on the previous results, we can confirm the research hypothesis of H0 that strategic management contributes to better business results and survival in a crisis.

5. DISCUSSION

The discussion of the research results begins with the analysis of the research results and their impact on the economic development of Bosnia and Herzegovina, in the function of modelling key parameters. Below are the results of research on the state and trends of GDP of Bosnia and Herzegovina, as an indicator of the economic development of the country. Given that healthy companies achieve good business results and make a great contribution to the development of a country's economy (GDP), below we tested the movement of GDP over the research period.

The results showed a significant impact of foreign direct investment on GDP, as well as the impact of the coronavirus pandemic COVID 19. Therefore, we present the results below, which are affected by strategic management based on the business results of the company.

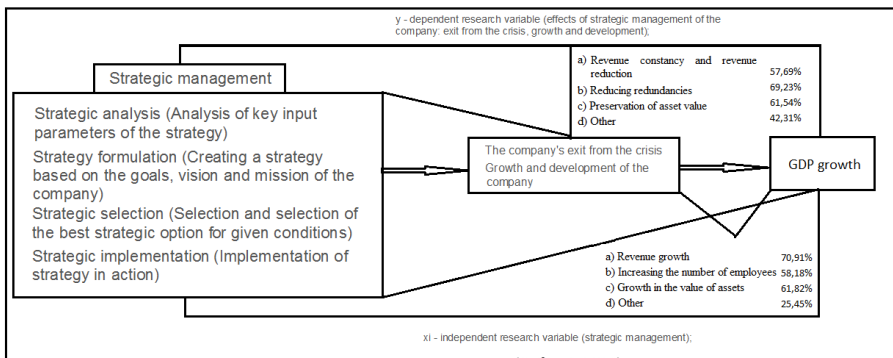
Graph 4: The impact of strategic management and FDI on the economic development of Bosnia and Herzegovina



Source: Research results based on World Bank data

The results show the impact of FDI on GDP trends in Bosnia and Herzegovina. Given that the economic development of the country depends on the business results of the company, and those on the strategic management, we can say that we have fully confirmed the research hypothesis of the work. Based on previous research, the following is a model of the impact of strategic management on business operations and economic development of Bosnia and Herzegovina.

Model of the impact of strategic management on business operations and economic development of Bosnia and Herzegovina



Source: Research results

The results show a direct link between strategic management, overcoming the crisis and recovery or growth and development of enterprises, which contributes to the economic development of Bosnia and Herzegovina.

5. CONCLUDING REMARKS

The economic crisis we are facing with for the first time was caused by the still unknown enemy –the COVID 19, which emerged at the beginning of this research. The economy is facing such a challenge, which this time, did not affect a specific company or a country, but the whole world. Is humanity able to deal with the existing issues, and whether we have understood them in the right way, the time will tell. In this sense, COVID 19 has forced many organizations to rethink their strategies.

Strategic process generates a logical sequence of steps to connect all forms of the environment, internal capabilities and forces, as well as external threats and dangers, available resources, interest groups, etc. It is essential to mention the issue of responsibility for making a strategic decision. Strategic decisions are by their nature unique, non-routine, they concern general goals, they are related to the most important issues and the broader picture of the entire company, and they are unrepeatable and inevitable very often. Without the implementation and realization of strategic decisions, they remain just a dead letter.

The responsibility for the implementation of strategic decisions lies, niether more nor less than at all levels of management. According to the broader understanding, the main responsibility of top management is related to social responsibility and general strategy related to achieving the goals of the entire organization.

Our research results show a direct link between strategic management, overcoming the crisis sparked by the COVID 19 and recovery, growth and development of enterprises, which contributed to the economic development of Bosnia and Herzegovina.

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STRATEGIJSKO UPRAVLJANJE U FUNKCIJI OPSTANKA PREDUZEĆA I EKONOMSKOG RAZVOJA BOSNE I HERCEGOVINE U USLOVIMA KORONAVIRUSA COVID 19

SAŽETAK

Fokus rada je usmjeren na analizu značaja i uticaja strategijskog upravljanja i strategijskog odlučivanja na opstanak, ozdravljenje i izlazak iz krize preduzeća u Bosni i Hercegovini, nastale pod uticajem koronavirusa COVID 19. Mnoga preduzeća u Bosni i Hercegovini, kriza je zatekla nespremne, sa nepostojanjem adekvatne strategije ili nepostojanjem strategije uopšte. Cilj rada je da se ukaže na značaj strategijskog upravljanja i generalno strategijskog načina razmišljanja u cilju opstanka preduzeća Bosne i Hercegovine u krizi. Metodološki koncept istraživanja obuhvata metodu ocjenjivanja proporcije osnovnog skupa na osnovu velikih uzoraka, metodu komparativne analize, metodu dedukcije i metodu statističke analize. Rezultati istraživanja pokazuju da su se kompanije koje imaju strategiju i strategijski upravljaju bolje snašle u krizi i lakše je podnijele. Rezultati pokazuju direktnu povezanost na relaciji strategijsko upravljanje - izlazak iz krize i ozdravljenje ili rast i razvoj preduzeća, što utiče na ekonomski razvoj Bosne i Hercegovine. Takođe i lakše pronašle put izlaska iz krize. Neke strategijsko upravljanje nije ni dovelo u krizu.

Ključne riječi: *Strategija, upravljanje, opstanak, preduzeće, Bosna i Hercegovina*

JEL: *M12, H12, M21*