STRATEGIC MANAGEMENT AND ITS IMPLEMENTATION IN THE PRACTICE OF ENTERPRISES IN BOSNIA AND HERZEGOVINA

JEL classification: M19

Abstract

Management tasks are focused both on good current business results (operations management task) and good operating results in the future, (strategic management task). Survival, growth and development at the market imply competitiveness. Enterprises can be competitive in designing, adopting and implementing appropriate strategies based on good and a reasonable mission and well-planned strategic vision that will enable the achievement of planned and desirable business objectives, financial (for liquid – operations management) and strategic, for successful business in the future. Economy in Bosnia and Herzegovina is relatively undeveloped, economic system is not equal to the economies of developed countries because private enterprises and entrepreneurship do not have a dominant role. The aim of this paper is to describe strategic management theories and their implementation in the practice of enterprises in Bosnia and Herzegovina. According to the results of empirical research, top management is focused exclusively to the achievement of good results, current operations, and almost do not think about the future (they are focused on the strategy of survival). Top and middle level managers have a low level of education; they cannot understand the meaning of strategic intention: vision, mission, goals, strategies and strategic planning. Management in non-privatized enterprises take formal rather than real responsibility for the overall business success, and the authorities do almost nothing to continue the privatization process.

Keywords: strategic management, strategic intention, enterprises in Bosnia and Herzegovina
1. INTRODUCTION

There are several reasons, motives and objectives for undertaking business activities, and one of them, the indispensable and most important, is to make a profit. All stakeholders are interested in business success of the enterprise. Enterprises that are new to the business activities as well as those already engaged in business activities are interested in the answers to the most important questions: what their current market position is; what their market position in relation to their competitors is; where they want to be in the future; which aims to achieve.

This paper discusses the terms such as strategic management and strategic intent in organizations. Strategic management consists of the analysis, decisions, and actions an organization undertakes in order to create and sustain competitive advantages. This definition includes two main elements that go to the heart of the field of strategic management. First, the strategic management of an organization entails three ongoing processes: analysis, decisions, and actions. Strategic management analyses strategic goals (vision, mission, and strategic objectives) along with the internal and external environment of the organization. Then, leaders must make strategic decisions. These decisions, broadly speaking, address two basic questions: What industries should we compete in? How should we compete in those industries? These questions also often involve organization’s domestic as well as international operations, followed by the actions to be taken. Decisions are of little use unless implemented. Enterprises must take the necessary actions to implement their strategies, and managers are required to allocate the necessary resources and to design the organization to bring the intended strategies to reality. As it is suggested in the following section, this is an ongoing, evolving process that requires a great deal of interaction among these three processes. Secondly, strategic management analyses why some enterprises outperform others. Therefore, managers should determine the enterprise’s competing methods to obtain the advantages that are sustainable over a lengthy period of time. This includes focusing on two fundamental questions: How should we compete in order to create competitive advantages in the marketplace? For example, managers need to determine if the enterprise should position itself as a low-cost producer, or develop products and services that are unique and which will enable the enterprise to charge premium prices—or some combination of both. Managers must also ask how to make such advantages sustainable, instead of highly temporary, in the marketplace. That is: How can we create competitive advantages in the marketplace that are not only unique and valuable but also difficult for competitors to copy or substitute? Michael Porter argues that sustainable competitive advantage cannot be achieved through operational effectiveness alone. Most of the popular management innovations of the last two decades—total quality, just-in-time, benchmarking, business process reengineering, outsourcing all are about operational effectiveness. Operational effectiveness means performing similar activities better than rivals. Strategy is all about being different from everyone else. Sustainable competitive advantage is possible only through performing different activities from rivals or performing similar activities in different ways. (Dess, Gregory G., G.T. Lumpkin and Marilyn L. Taylor, 2005).

Strategic intent, defined by Hamel and Prahalad (1989) as “... a sustained obsession with winning at all levels of the organization”, was originally created as a concept for a managerial audience (Hamel Prahalad, 1989; 1994; Prahalad and Doz, 1987) but the concept has been taken up in academic discourse of organizational strategy (Burgelman, 1996; Lovas and Ghoshal, 2000; Noda & Bower, 1996). The managerial role of strategic intent is to go beyond environment-sensitive strategic planning to represent objectives “for which one cannot plan” (Hamel and Prahalad, 1989).

Strategic intent reflects the ‘corporate context’ in which bottomup business ideas are weighed (Noda and Bower, 1996, Lovas and Ghoshal, 2000). It directs the accumulation of necessary competencies (Hamel and Prahalad, 1989), giving the
intraorganizational evolution processes a common target, “something to ‘aim’ for” (Lovas and Ghoshal, 2000).

2. STRATEGIC INTENT IN A CONTEXT OF STRATEGIC MANAGEMENT

Intent, a psychological concept, is held by a conscious subject, capable of forming intentional states, mental states connected to an external reality (Searle, 1983). Intent contains a conviction to achieve a certain state of affairs in the future (Bratman, 1999; Searle, 1983). In the field of management, there exist a number of concepts which are used by members to discuss such future-oriented behavior. We will begin by positioning strategic intent among two of the most relevant of these, goals and visions.

Goals state what is to be achieved and when. Although goals do not usually state how results are to be achieved, they should be achievable (Quinn, 1995). Strategic intent is different from goal in being superordinate to it (Hart, 1992), long term or very long term (Prahalad and Doz, 1987, Hamel and Prahalad, 1989, Burgelman and Grove, 1996, Hart, 1992), uncertain in its achievability (Burgelman and Grove, 1996), linked to core competences (Prahalad and Hamel, 1990) and of high significance. Both goals and strategic intent are prospective (Burgelman and Grove, 1996) and inspirational (Hart, 1992).

A vision, on the other hand, is defined as a set of desired goals and activities (Gardner and Avolio, 1998). It has connotations of encouraging strong corporate values in the strategy process (Conger and Kanungo) and so is similar to strategic intent in its emotional effects. Moreover, like strategic intent, it goes beyond mere planning and strategy – by challenging organizational members to go beyond the status quo – and it offers long-term direction (Nonaka, 1988). The most striking difference between visions and strategic intents is the degree of collectivity, as many authors ascribe a strategic intent as a phenomenon diffused at multiple organizational levels (see Table 1 below), while a vision is more clearly a top management leadership tool (Kotter, 1995), often ascribed to a single visionary leader (Mintzberg and Waters, 1985).

Table 1. Literature overview of strategic intent

<table>
<thead>
<tr>
<th>Authors</th>
<th>Definition of intent</th>
<th>The ‘we’ of the intent</th>
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<tbody>
<tr>
<td>Prahalad &amp; Doz (1987)</td>
<td>Goal for which one cannot plan, longterm goal, longterm orientation</td>
<td>Top management</td>
</tr>
<tr>
<td></td>
<td>“Intent” is used here to describe longterm goals and aims, rather than detached plans</td>
<td>· no mention of employee involvement</td>
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<td>[…] strategic intent is crucial for a firm to aim for goals for which one cannot plan</td>
<td>· “firm action and intent” discussed only in singular form, e.g., “a firm’s strategic intent allows it to think of resources and competitive advantages differently and to deploy them with greater imagination” (p. 52)</td>
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<td>Strategic intent allows for a firm to build layers of competitive advantage painstakingly, to accomplish longterm goals.” (p. 52)</td>
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<td>Hamel &amp; Prahalad</td>
<td>Shared obsession to win</td>
<td>All organizational members</td>
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<td>“Entreprises that have risen to global</td>
<td>“It is hard to imagine middle</td>
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| 1989     | Hamel & Prahalad (1994)          | The dream that energizes a entreprise  

(...) Strategic intent is our term for such an animating dream.” (p. 129)  

“As the distilled essence of a firm’s strategic architecture, strategic intent also implies a particular point of view about the longterm market or competitive position that a firm hopes to build over the coming decade or so. Hence, it conveys a sense of direction.  

It holds out to employees the promise of exploring new competitive territory. Hence, it conveys a sense of discovery. Strategic intent has an emotional edge to it; it is a goal that employees perceive as inherently worthwhile. Hence, it implies a sense of destiny.”(p. 129) | 1994     | Burgelman & Grove (1996)         | A prophesy, foresight by the CEO  

“Prahalad and Hamel (1990) have explained the success of entreprises such as Canon, NEC, and Ericsson in terms of the development of core competence. Their explanation depends to a large extent on strategic intent based on the chief executive officer’s (CEO’s) superior foresight” (p. 25). | 1994     | Burgelman (1994)                | Top management decision  

“Strategic dissonance [misalignment between a firm's strategic intent and strategic action], strategic inflection point [the change of one winning strategy into another], and strategic recognition [the capacity of top managers to appreciate the strategic importance of managerial initiatives after they have come about but before unequivocal environmental feedback is | 1994     | Burgelman (1994)                | CEO  

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available] are the three interrelated key concepts that answer the question of how top management can decide on strategic intent in hightechnology industries.” (p. 12)

Sculley’s strategic intent stretched beyond Apple's available innovative capabilities and the market's readiness”. (p. 1516).

|---|
| **Hart (1992)** | **Mission (superior goal) for the organization,**  
“The crafting of a longterm mission for the organizationan articulation of strategic intent … This mission becomes translated into specific targets, either internal to the organization (e. g., develop capability) or external (e.g., overtake a competitor), which inspire organizational members to higher levels of achievement .. At Komatsu, for example, the mission is “MaruC” to encircle Caterpillar, its primary rival.” (p. 337) |
| **Multiple organizational members** | “organizational members” (p.337) |
| **Noda & Bower (1996)** | **Top management viewpoint on business, ‘corporate context’**  
“Our fieldbased data provide evidence on (1) the role of ‘corporate contexts’ that reflects top managers’ crude strategic intent in shaping strategic initiatives of businessunit managers […]” (p. 159). |
| **Top management (showing intent in refereeing bottom up ideas)** | “The top manager’s role in determining strategic context is active, not passive […] continuous, incremental learning of top managers during business development, and the resulting fine tuning of strategic context shift resource allocation and precede the articulation or change in official statements of the corporate strategy.” (p. 188) |
| **Lovas & Ghoshal (2000)** | **A statement of goals articulated by the top management**  
“By ‘strategic intent’ we mean those longterm goals that reflect the preferred future position of the firm, as articulated by its top management (Prahalad & Doz, 1987).” (p. 884). |
| **Top management** | “as articulated by its top management” (p.884) |

The strategic vision reflects the concept of management thought business ideas. Based on assumptions and judgments about what will be and what will happen in the market in the future and how to estimate the future state of the market can be best utilized for the benefit of entreprises and its business. Strategic vision is being designed in which
the industry of the enterprise business, whether involved in production of one or more types of products, with which materials, technologies and technological processes, will be involved in production, trading or providing services, whether it be the manufacturer of computers, garments or cars and what will be known for, what he will do identity. Vision statement directs the organization in a particular direction, charting a strategic path that needs to step in preparing the enterprise for the future, and shaping organizational identity.

It is very important to trust in the leadership of the enterprise, the top management that creates the vision and plans to implement it, and trust is gained by evaluating their previous results and their vision has to be recognized also as the vision of management at lower levels and other employees. What is the level of discrepancies greater it will take more effort, effort and persuasion to accept the vision, and the best are accepted and easily implement a strategic vision that employees believe that are "true"," to them to be","to will be the team to achieve their plans, dreams and expectations" and visions that cause similar feelings and moods. In such circumstances, the management at lower levels, and all other employees will be the most motivated and encourage the implementation of the strategic vision and the success of top management is not only measured by the quality of vision, but also convincing the staff in its quality and its motivation for implementation.

Expected changes are included in the strategic vision for the actually planned activities and course of action for enterprises to anticipate permanent changes in the environment. Unexpected and unpredictable changes affect the strategic vision and cause its correction, change or radical shift which depends on the nature of the changes, but also the quality of management in assessing the assumptions on which it was established and defined strategic vision. Top management is more successful if less should undertake radical changes to its strategic vision and if the new strategic direction, more or less radical than the existing one, maintaining a successful business and avoid the risks of failure, and this can be achieved if timely respond to change and choose good and quality new strategic vision. Timely response to developments in the market reduces the possibility that the enterprise will get stuck in an activity is stagnant or in decline or that they will miss the attractive new growth opportunities.

Mission of the enterprise is not a strategic vision which expresses “future business orientation, direction of movement” and “reasons for this orientation, provides answers to questions “where they are going”, nowhere to go” and “why”. Mission refers to the existing, current, and provides answers to questions “what or who the enterprise”, “the enterprise makes” and “why” is there, but the basic tenets and principles mission enterprises should not be ignored either in determining the strategic vision. And in the near or distant future in which the strategic vision will be necessary to take into account the needs, desires and attitudes of consumers and businesses to implement a mission that will put consumer’s first plan, not the profits of enterprises. From that point of no strategic vision can not be good be good and proper if it is not based on the settings of the mission enterprises to be current, desirable, acceptable and good in the period in which it will be given to the strategic vision.

3. STRATEGY IMPLEMENTATION

Strategy implementation is the translation of chosen strategy into organizational action so as to achieve strategic goals and objectives. Strategy implementation is also defined as the manner in which an organization should develop, utilize, and amalgamate organizational structure, control systems, and culture to follow strategies that lead to competitive advantage and a better performance. Organizational structure allocates special value developing tasks and roles to the employees and states how these tasks and roles can be correlated so as to maximize efficiency, quality, and customer satisfaction—the pillars of competitive advantage. But, organizational structure is not sufficient in itself to motivate the employees.
Neither the best strategy implementation can replace its deficiencies and quality, nor could good business results be expected even from the best strategy if it is not conducted thoroughly and properly. Therefore, it is important to recruit all managers and employees of enterprises for those activities, to enable them to participate in the creation and adoption of the same rather than to be pure executors of someone’s orders, or obeyers. They must be convinced that this is the best possible strategy. It must be accepted as their own. They must believe that the implementation of the same will enable them - individuals - to realise their ambitions and expectations. It is impossible, under contemporary market conditions, to maintain satisfactory competitiveness with an unchanged strategy and an equal manner of its implementation, especially if competitiveness should be increased, and the competitive position improved. All this calls for changes. In some cases, minor corrections related to the current situation will be sufficient, and such changes will not provoke opposition and resistance from managers at lower levels, or other employees. Strong resistance is more likely to significant corrections in the present conditions, where radical and drastic changes in the previous practice and behaviour will, however, lead to fierce resistance. The latter may involve a change in the structure of responsible and professional employees’ at all organizational levels. Management is therefore responsible for the preparation and implementation of the strategy as it depends on the success of its implementation where the quality of the preparations for the strategy implementation is as important as the quality of the strategy and the quality of its implementation. To implement the strategy, it is important to motivate staff, to have a system of incentives and rewarding, to build organizational culture and to increase business capability of an enterprise.

4. STRATEGIC CONTROL AND CORRECTION

Strategic control is the last step in the Strategy Management Process. It consists of monitoring and evaluating the strategy management process as a whole to ensure that it is operating properly. Strategic control focuses on the activities involved in environmental analysis, organizational direction, strategy formulation, strategy implementation, and strategy control itself – checking that all steps of the strategy management process are appropriate, compatible and that they function properly.

The selected and adopted strategy is based on the assumptions of its creators, and such assumptions are not constant. They change under the influence of various factors affecting the supply, ie. They are the result of rival enterprises’ activities in the field of demand. This is all the result of changes in the behaviour of consumers, their needs and capabilities. Changes in the assumptions on which the selected and adopted strategy was based clearly suggest that it should be corrected or changed, and that it should be based on new, different assumptions. Successful management of these activities involves not only a timely reaction to the observed changes, but also predicting and planning the changes to avoid their unexpected and sudden occurrence. Correction strategies are implemented voluntarily when better results and competitiveness are to be achieved, when enterprises increase their capability and when they want to upgrade their operations. Their implementation is also influenced by environmental changes. The correction implies greater or minor changes in the existing strategy, where the strategy essence does not change. When, however, the existing strategy changes, a new strategy of the enterprise is created, and the same can rely on the existing strategic vision.
5. STRATEGIC MANAGEMENT AND ITS IMPLEMENTATION IN THE PRACTICE OF ENTERPRISES IN BOSNIA AND HERZEGOVINA – EMPIRICAL RESEARCH

Bosnia and Herzegovina is in a transition period and in a deep economic crisis. Since the war ended, the state’s economy has been for almost 18 years under restoration and revival, and it has not yet reached the pre-war level of development. The bad economic situation is the result of various circumstances and the transition period, and one of the latter is certainly the undeveloped market economy and the conditions under which enterprise management cannot implement its function and perform its tasks. It cannot ensure a successful operation of enterprises or the planned (and expected) financial and strategic business objectives. Successful operations of private enterprises should in the transition period include, from the social and economic point of view, the roles, tasks and responsibilities of management, who is also responsible for the creation and implementation of an effective transition strategy of non-privatized enterprises. The management is also responsible for successful operations in the transitional period in order “to survive”, as well as for creating favourable positions for successful operations, according to international market criteria, in the post-transitional period.

The way this task is performed by management in Bosnia and Herzegovina can be evaluated from the results of studies that show significant and important differences with the management in private enterprises and those that have not been privatized. In Bosnia and Herzegovina there are more than 35,000 of private enterprises and other private entities that account for about 40 percent in the GDP, and for more than 45 percent in the employment. They are mainly engaged in trade and non-manufacturing activities. They include a relatively small number of large enterprises with huge capital where most of them can hardly survive”. From the managerial point of view, there are three types of private enterprises: enterprises that have been founded as private, enterprises that have been privatized (100 percent), or private enterprises with majority private ownership (partly state-owned), now undergoing the process of privatization and being associated with, justified or unjustified, mainly negative connotations. Significant differences among them are best obvious in terms of making independent managerial business decisions. From this standpoint, the management of the enterprises that have been private since their foundation (one type of private enterprises) is in the best position because it is independent in making decisions on the current operation, in achieving financial goals, in deciding on a long-term operation and strategic goals.

The public perception of the management in enterprises that have been privatized after the privatization process (the second type of private enterprises) is that they acquired ownership in the enterprises in an immoral and suspicious way. For some of these enterprises the reversal of privatization is required, while in some cases this has been done, which affects the behavior of the management. The management in enterprises with state ownership (the third type of private enterprises) is also in a special position with respect to the management in private enterprises. One cannot dismiss employees at his/her discretion. A proper care should be taken of the employees, taking into account public views and stands of the authorities. Furthermore, trade unions’ demands should be better met. It is interesting that the state (public authority) in such enterprises does not want to give up its share (does not want to sell its share). They are not encouraged by employees (unions), who favour such a situation.

In this paper empirical research has been conducted during the 2012. The sample consisted of 300 private enterprises, 100 enterprises that are still in state owned and 100 public enterprises that will remain such also in the future after the restructuring. Respondents were the top managers and members of the CEO in Bosnia and Herzegovina.
As regards the size of an enterprise, it could be concluded that the situation is identical both in small and large businesses with private ownership, with negative public perception of an operation, behavior and influence of large private enterprises. This refers to the relationship between their owners and influential politicians, privileges in obtaining jobs that have been funded by public sources, attractive building sites which can be encashed, concessions for the use of natural and other resources, a failure to pay obligations to public enterprises and the state, illegal and immoral enrichment, overflow of the state (public) money into private hands, abuse of office, great privileges and benefits, the impact on political parties and individuals, and a host of other negatives. Generally speaking, it can be concluded that the management in private enterprises is focused on the present, on the current operating results, while the future is not in the focus of their interest. The management behaves logically, using all the possibilities of the current situation –“the current market” - for achieving business goals. They mainly do “anything that is not expressly forbidden” and that their moral and ethical principles allow them to do, looking for quick and easy earning, seeking out opportunities to avoid tax payment and other liabilities. A number of enterprises and their owners become rich by avoiding payment of liabilities, and their wealth is associated with unlawfulness, profiteering and other negativities, which all creates the impression that wealth is considered a sin. That is not good as it can inhibit economic development and discourage those who realize good operating results in a legal and moral manner, in accordance with international market criteria. As for the selection of business partners they do business with, or would like to co-operate with, more than 90 percent of the respondents prefer to work with state-owned enterprises rather than with private, and the reason is greater security of collecting receivables (voted by 83 percent), this problem being particularly actual in the period of illiquidity. Another, even bigger, reason why private enterprises prefer doing business with government and public enterprises is the possibility of higher earnings, for which 94 percent of the respondents voted. From the market standpoint, private trade enterprises are engaged in import due to an extremely low and inadequate supply of products on the domestic market (which does not allow for any dealings or earnings). Export programs are, however, considered by only eight percent of respondents, those engaged in production activity.

Management in private enterprises has no impact on the privatization of non-privatized enterprises and cannot speed up this process. If privatization is not thoroughly carried out, there can be no dominance of the private sector over the public sector. There can be no market economy, nor can private enterprises have a position such as private enterprises have in developed countries. The management in state and public enterprises is the management in non-privatized state-owned enterprises, which are to be privatized and public enterprises of which the majority will retain the same status after privatization. Of the total number of such enterprises in Bosnia and Herzegovina (1,254, with an estimated 19.3 billion in assets), very few of them have been privatized, and of the 84 largest enterprises, with 60 percent of the totally estimated capital, not any one has been privatized so far, nor are there any indications when this might happen. Management in these enterprises is responsible to the board of directors appointed by government authorities and is actually not responsible for the success of current operations, except morally. The management is not stimulated for better business results nor will it be awarded, unlike the management in private enterprises, but it will not bear any consequences if the enterprise does not achieve good business results. They can not even think of the enterprise’s future operations, as these issues are reserved for future owners of enterprises, and it is unlikely that the new owners will retain the existing management after taking over the enterprise. With regard to the privatization of enterprises, current management has no responsibility for this process. It is interested in privatization only if it can benefit from privatization, and it influences the acceleration or slowdown in accordance with its personal interests. Otherwise, the management is more interested in maintaining the “status quo”. Therefore, a very pronounced and negative public opinion prevails about the behavior of management in these enterprises. If the management advocates and supports the process of privatization,
91 percent of respondents think that they do so because of their personal interest, or they think that they will become co-owners of the enterprise, or that the new owner will pay them for it. If the management does not support the privatization process, if it does not accelerate that process, it does so, according to the public opinion, because it suits them (87 percent), that they benefit from it (73 percent), that they do not want to lose their positions (86 percent), or that they are waiting for a price reduction so that they, or their acquaintances, can privatize the enterprise at lower prices (62 percent of respondents). Given that state, nobody is willing to finance non-privatized, state enterprises until the process of privatization has been implemented. It is therefore quite clear that such enterprises cannot operate successfully even in the current situation, and that they have no prospect in the future unless they undergo privatization.

The situation with public enterprises that can get loans guaranteed by the state is different, but the management in these enterprises behave almost identically as the management in non-privatized state enterprises. They endeavour to maintain the current situation in order to retain the power and positions they have.

When current business results are considered, the management in private enterprises is better stimulated for achieving good business results, but it also has greater financial responsibility. The management in the enterprises that have been founded as private enterprises is, however, best stimulated and interested in successful operations and development of the enterprises. The management is less stimulated in the enterprises that have been privatized in the privatization process.

The management in non-privatized enterprises show a lower interest in good business results as their rewards will not be equal to those in private enterprises, and their management responsibility is only moral.

When preparing the ground for successful operations in the post-transitional period, almost no difference in the behavior of the management can be observed. In private enterprises, 97 percent of the respondents said that they did not think about the future, that they were interested only in the present and the opportunities they were provided with. In non-privatized enterprises the management does not even think about it as they are aware that such issues will be the responsibility of the future owners.

The implementation of the privatization process does not show any difference in the behavior of the management in private and state-owned enterprises as there is no responsibility or interest in it, and it could be concluded that they endeavour to maintain the status quo rather than to change it. This leads to the conclusion that the existing management in enterprises in Bosnia and Herzegovina is unable to implement its tasks in the transition period; it shows no interest and has no responsibility for it. Therefore, such a situation must be urgently changed, while the transition and privatization processes need to be accelerated. This is, however, the responsibility of those in power if they care about building a democratic society and market economy.

How the authorities care about the transition and privatization can be easily assessed from what has been done in this area and it is not much. The above issues dominate in election campaigns when political leaders give a pledge that the transition process will be accelerated and privatization implemented a democratic society and market economy built, that Bosnia and Herzegovina will join NATO and the EU. However, their current results suggest that nothing has been done, i.e. that the country has been governed in the opposite direction all the time. In the past decade, not a single enterprise has been privatized, while state shares have not been sold in any enterprise majority private ownership, although significant budget funds are allocated every year for employees' salaries and other levies. What's more, the budget deficits keep increasing and has been, for a longer period of time, rehabilitated through borrowings abroad, which will affect economic development in the longer run. This will lead to an increase in taxes and other levies, which will be an additional burden to the business, and will discourage investments in economic
development. Many reasons influence the slowdown in the implementation of transition and privatization. In some cases a wrong belief prevails that transition could be implemented without privatization. On the other hand, a fear of changes and uncertainty accompanying such changes is always present. Failures made in the course of privatization are also used as the reason for a slowdown in these processes. One of the reasons for slowing down the process of transition and privatization is that the current situation suits influential groups and individuals who dispose of state funds and property, and do not want to lose those positions and power. They prefer the undeveloped social and economic system as they can, being protected by political leaders – individuals or parties - do whatever they want without suffering any consequences. Privatization is a prerequisite for the transition as market economy where state-owned enterprises dominate cannot be introduced. The process of privatization requires that economic-development rather than social aspects prevail. Non-privatized enterprises should not be grouped according to the principles of social justice, eventually leading to the ideal distribution of poverty, which nobody would benefit from, nor should such enterprises be redelegated to the people who do not care about business but focus on the profit from the resale of assets of these enterprises. The optimum results would be achieved if non-privatized enterprises could be handed over to business people, who would offer market-friendly programmes for the survival and development of such enterprises, and guarantee job security.

6. CONCLUSION

The research results clearly show that management of enterprises in Bosnia and Herzegovina is not able to implement its tasks in the transition period, that it is not interested or stimulated, and that it bears no responsibility for that. Therefore, this situation calls for an urgent change, it needs to accelerate the process of transition and privatization, and it is the task of those in power if they care about the creation of a democratic society and market economy. Privatization should be accelerated to allow the dominance of private property, to privatize enterprises with state ownership that cannot survive in the market to eliminate the “grey economy” and prevent evasion of payment of liabilities. These are the prerequisites for the creation of conditions under which the success of the management and their enterprises measure by the criteria of competitiveness prevailing in the international market, avoiding illegal employment. The wealth of enterprises and individuals will, in such circumstances, be a symbol of efficiency, competence and competitiveness rather than unfairness and greed. These processes should be created and implemented by the holders of state authorities who, so far, have done almost nothing in this respect except declaring themselves.

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