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COMPETITIVENESS IN MODERN BUSINESS PRESENTED THROUGH BASIC STRUCTURAL INDICATORS OF BUSINESS OPERATIONS OF ENTERPRISES AND ENTREPRENEURS: THE CASE OF THE REPUBLIC OF SRPSKA

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ABSTRACT

In order to determine the competitiveness in the global market, for the purposes of this paper, secondary collected data of basic structural indicators of business of companies and entrepreneurs from the Republic of Srpska for the period from 2017 to 2019 were used. They were processed by descriptive statistics, and in order to determine the relationship between dependent and independent variables, a correlation was used in order to determine significance, but also a regression model. Pearson's correlation coefficient between the variables: turnover and VAT is statistically significant, while the correlation between the variables: turnover and the total number of enterprises, turnover and the total number of employees, turnover and staff costs, as well as staff income and costs, did not show statistical significance. In order to achieve long-term sustainable economic growth, the Republic of Srpska needs to have macroeconomic stability, as well as stabilization of economic growth, reduction of future risks, especially under the influence of the current COVID-19 pandemic.

Keywords: Competitiveness, Correlation, Family businesses, COVID-19, Republic of Srpska.

INTRODUCTION

According to the OECD definition, competitiveness is a measure of a country's ability to produce goods and services in free and equal market conditions, which pass the test of the international market, while retaining and increasing the real income of the population in the long run (Competitiveness in International Trade, [OECD], 2014). Globalization views the world as a single market in which the most efficient and competitive will thrive. However, extreme versions of globalization tend to overlook the mismatch between world, political, and economic systems (Kissinger, 2001).

Nowadays, there are constant changes in politics, economy and society. It is these changes that have become a condition of survival that characterizes the modern market and new competitive relations and presents challenges for economic entities. Đervida et al. (Đervida, Demirović, Milovanović, & Radosavac, 2017) state that in the modern economy, changes have become stronger and faster, and companies must make significant efforts to adequately follow them, which means a change in business strategy. This rule also applies to domestic companies if they want to progress in the future, be competitive and aim for long-term survival. In that sense, the management techniques of benchmarking and reengineering, which aim to increase business productivity and improve quality, stand out. A modern organization must incorporate change management into its business processes. It means:

- improvement of the entire business (analysis of business processes, shortcomings, disadvantages and advantages)
- adoption and learning through benchmarking
- learning and applying innovation

- through research of business results, eliminate shortcomings and take advantage - constantly improve the business.

Globalization creates the possibility of new forms of business and removes the free trade barriers of different national economies. The characteristic of globalization is that it encourages unequal growth. While some regions have become the core of economic progress, others have remained on the periphery (McMurray, & Smith, 2001).

Countries with highly developed economies have the upper hand in competitiveness, and the problem occurs with entities that come from developing countries and those that are going through the transition process. In the international market, economic entities are fighting for the best possible competitive position, and success is enabled for everyone who bases their business on the improvement of knowledge and quality.

In analyzing global competition and competitive advantage, the question of understanding business performance can also be asked. Quality, innovation and marketing management enables companies to find an adequate response to business challenges in a global and highly competitive environment. In addition, Grubor (2011) states that marketing strength or weakness is increasingly associated with the overall strength of the company in the target market. The previous experiences of all developed European countries are that knowledge and organizational or entrepreneurial skills are the basic factors of productivity. It is increasingly recognized that the success of a company's business depends on the productivity of knowledge.

FAMILY COMPANIES AND COMPETITIVENESS

One of the reasons for the analysis of secondarily collected data on the basic structural indicators of business of companies and entrepreneurs from the Republic of Srpska for the period from 2017 to 2019 is the fact that a large number of those analyzed come from the real sector. Perić et al. (Peric, Milovanovic, & Vranesevic 2013) state that the predominant form of companies in Bosnia and Herzegovina is a limited liability company. Family companies are a typical example of organizations, which in principle are created and operate according to the rules that apply to entrepreneurial businesses (Milovanović, & Perić, 2013).

A large part of these companies are made up of family businesses, because in them as founders appear persons connected by certain family ties. For them, such companies represent a family business from which family members earn the only or predominant means of subsistence. These are family businesses, which are mostly founded by the current owner, while only a small percentage are inherited and bought (Milovanovic, 2014). Entrepreneurs, owners of family companies, even before the COVID-19 pandemic, cited as their biggest business challenges they faced: high obligations to the state, finding quality workers, daily administrative difficulties and strong domestic competition. At a time when most entrepreneurs had a plan to grow their business, a significant number sought to survive and continue to operate. Family business is the most popular and most common form of ownership organization and business management in the world. Historically, almost half of the total number of family businesses fail to survive until the next generation. The reality is that it is a large number of firms, potentially in trouble, that are achieving poor results due to unresolved succession issues. They form a significant part of any economy (Kenyon-Couvinez, & Ward, 2005). According to ProEduca research, in the most developed countries, family businesses generate more than 50% of GDP, create more than 60% of employment and create 75% of new jobs (ProEduca Education Center, 2021). Although in industrialized countries 70% of firms are in the hands of families, at the same time 70% of these family firms do not survive the transfer from the first to the second generation, while 95% of family firms do not survive the third generation. These are the numbers that should definitely make the owners of young family businesses think. The primary task of successful family businesses is to strive to create a higher level of consumer loyalty than corporate ones. The corporate brand, which is created by family-owned companies, has certain peculiarities, which distinguish it from the corporate brands of other companies. It is a consequence of family history, the unique principles it possesses, the complex communication within family relationships, as well as the

corporate identity that the company has created through its products, services and communication. The family brand is also the bearer of a significant comparative advantage for these firms (Perić, Milovanović, & Bovan, 2013; Astrachan, & McMillan, 2003).

There are many issues related to family business, especially around succession and inheritance taxes. It is important who is responsible for marketing in the family company, but it is even more important what is the marketing orientation of the company, ie. the extent to which the entire firm is aware of how important it is to identify the needs of client groups and to organize all of the firm's resources, to meet those needs and ultimately make money (Kenyon-Couvinez, & Ward, 2005). When it comes to corporate heritage, as a strategic means of gaining a competitive advantage, specific ways of communicating these distinctive features externally, through the websites of companies, have been explored. This study established the existence of three different marketing strategies: family maintenance strategy, family enrichment, and subordination (Craig, Dibrell, & Davis, 2007; Micelotta, & Raynard, 2011). Observing from the other side Zaridis & Mousiolis (2014) considered that the role of business size should be sought in the "entrepreneurial behaviour" of a sme, specifically in the sector of economy of the field research. However, it is accepted that small firms have a higher probability of failure than large ones. Specific factors affecting probability for a firm to fail identified. These are business size, age, property, activity sector, former performance, personnel, geographical location, business type, macroeconomic environment, government funding (subsidies) and some other reasons. It is commonplace for researchers that failure is closer in the early years of businesses and in particular immediately after their launch, with failure rates ranging between 50 and 80% in first five years of their life (Zaridis, & Mousiolis, 2014). Murphy (1996) points out that business failure factors divided into two categories: environmental factors and symptoms of management disability. Apart from environmental factors, there are three categories of failures mentioned: functional knowledge, managerial skills and managerial behaviour. Bešić & Đorđević (2021) state that research and development are a precondition for creating new products intended to meet the needs of the market. Innovation of products and services is becoming a continuous process, and innovation must be strictly marketing-oriented and oriented. Every business activity of a company should start with marketing and end with marketing, or, more precisely, always start from the requirements and needs of consumers, and end with an analysis of customer satisfaction. Customer satisfaction information is the entry into the next cycle of the planning process. Knowledge in the 21st century is treated as operational knowledge that enables the improvement of other activities, increasing business productivity and creating organizations that use knowledge in their business to become competitive. According to Milisavljević (2010), transformational change is when fundamental changes occur in the strategic direction. In order for there to be a transformational change, it is necessary for there to be a change in the behavior of all employees in the company. The essence of new technologies is to increase business productivity, which improves the competitiveness of companies. Today, information and communication technologies are the most important driver of business improvement. New telecommunication technologies, supported by information technology, enable a higher speed of the communication process, primarily in terms of quickly obtaining feedback, relevant information from the market, which significantly increases the commercial usability and efficiency of data (Bešić, & Đorđević, 2021) on business, but also on improving the productivity of knowledge. Knowledge is the basis of business, and its improvement increases the productivity of other factors in the business process that are the basis for improving the quality of business (Đervida, Dašić, & Radosavac, 2020). Companies in transition have a number of problems that negatively affect the competitiveness of the world market (Demirgünc-Kunt, Klapper, & Panos, 2011).

MATERIAL AND METHODS OF WORK

Secondary data were used in the research, which were collected from the research of the Republic Statistical Office, and the analysis covered the period from 2017 to 2019. The subject of the analysis were the basic structural indicators of business operations of companies and entrepreneurs in the Republic of Srpska (number of companies, number of entrepreneurs, number

of their employees, turnover, cost per employee, etc.). Data for 2020, due to the known situation with the COVID-19 pandemic, were not available. They were processed by descriptive statistics, and in order to determine the relationship between dependent and independent variables, a correlation was used in order to determine significance, but also a regression model. Pearson's correlation coefficient between the variables: turnover and value added at factor costs, turnover and the total number of enterprises, turnover and the total number of employees, turnover and staff costs, as well as staff income and costs. Regression models are developed in business and economic applications to increase understanding of the system and process being studied (Peric et al., 2020).

RESULTS AND DISCUSSION

According basic structural indicators of business operations of enterprises and entrepreneurs in 2017, there were 8034 active companies and 18048 entrepreneurs operating in the market, of which 34,5% operated in the area of Wholesale and retail trade; repair of motor vehicles and motorcycles, while the structure of employees shows that out of cca. 180000 employees, 40,5% are engaged in industry. One year later 33,8% , and 32,8% (2019) operated in the area of Wholesale and retail trade; repair of motor vehicles and motorcycles, while the structure of employees shows that out of about 40,6% (cca. 187000 employees in 2018) and 39,8% (cca. 194000 employees in 2019) are engaged in industrial areas (Table 1a). Also, according to research, the highest labor costs per employee in 2017 were incurred by companies and entrepreneurs in the area of Production and supply of electricity, gas, steam and air conditioning 25454,00 KM and Information and Communications 23915,00 KM, and the lowest in the area of Accommodation, food preparation and serving activities; hotel and catering, 8290,00 KM (Table 1b).

In the next two years, companies and entrepreneurs in the area of Production and supply of electricity, gas, steam and air conditioning also had the highest labor costs per employee, but they increased by 4,5% (2018) and 2,1% (2019). Labor costs per employee in the field of Information and Communication increased by 3,6% (2018) and by 3,5% in 2019, while again the lowest costs per employee were incurred by companies and entrepreneurs in the area of Accommodation, preparation and service activities food; hotel and catering, but their growth of 3,6% (2018) is also noticeable, and in 2019 by 1,1%.

According Table 1b in the creation of added value by factor costs in 2017, the largest share was taken by companies and entrepreneurs from the area of Manufacturing 23,6%, Wholesale and retail trade; repair of motor vehicles and motorcycles 21.6% and Production and supply of electricity, gas, steam and air conditioning 9,5%. Based on the research for the next two years, the largest share in the creation of added value by factor costs had the companies and entrepreneurs from the area of Manufacturing 23,9% (2018) and 23,7% (2019), Wholesale and retail trade; repair of motor vehicles and motorcycles 21,8% (2018) and 21,4% (2019) and Production and supply of electricity, gas, steam and air conditioning 10,2% (2018) and 9,0% in 2019.

Table 1a. Basic structural business variables by section of economic activities (2017 - 2019).

		Number of enterprises			Number of entrepreneurs			Number of persons employed		
		2017	2018	2019	2017	2018	2019	2017	2018	2019
	TOTAL	**8034**	**8000**	**8079**	**18048**	**17815**	**17925**	**180597**	**186885**	**194303**
B	Mining and quarrying	86	76	75	1	1	1	5133	5162	4998
C	Manufacturing	1594	1513	1545	1963	1938	2028	54327	56487	58176
D	Electricity, gas,steam and air-conditioning supply	87	74	69	-	1	1	8897	9224	9221
E	Water supply; sewerage, waste management and remediation activities	132	139	138	21	21	22	4859	4985	5032
F	Construction	660	615	614	675	722	817	12089	12783	13419
G	Wholesale and retail trade; repair of motor vehicles and motorcycles	2611	2599	2556	6397	6118	5966	42665	43835	45822
H	Transport and storage	661	680	677	1544	1534	1534	13266	13525	13571
I	Accommodation and food service activities	144	146	151	3715	3650	3549	12175	12493	13099
J	Information and communication	285	305	314	89	97	136	5896	6140	6362
L	Real estate activities	135	136	106	25	28	33	548	576	558
M	Proffesional, scientific and technical activities	745	782	822	1196	1177	1202	7249	7271	8133
N	Administrative and support service activities	165	164	176	150	164	180	2944	3267	3130
P	Education[1)]	115	115	124	207	218	232	1624	1632	1600
Q	Human health activities[1)]	483	508	557	11	11	8	2823	3037	4100
R	Arts, entertainment and recreation[1)]	42	60	62	33	88	87	2524	2817	3187
S	Other service activities[2)]	89	88	93	2021	2047	2129	3578	3651	3895

[1)] Enterprises and entrepreneurs from the private (profit) sector are covered in the sections P, Q and R
[1)] Except division 94 (Activities of membership organizations) which is not covered in accordance with the EU regulation 295/2008

The highest added value per employee, as a measure of labor productivity, was realized in the area of Information and Communication 67998,00 KM, then in the areas of Real Estate 67816,00 KM and Art, Entertainment and Recreation 64493,00 KM. 2018 is also the highest value added per employee, achieved in the area of Information and Communication, but with a decrease of -2.1%. Real estate business recorded a decline of -8% compared to the previous year, and value added per person employed in the region Arts, entertainment and recreation fell by -6.9%. According to the research in 2019, in contrast to the previous two years, the highest value added per employee, as a measure of labor productivity, was achieved in the field of Real Estate, followed by Information and Communication and Production and supply of electricity, gas, steam and air conditioning (Table 1b).

Table 1b. Basic structural business variables by section of economic activities (2017 - 2019).

		Turnover			Value added at factor costs			Personnel costs		
		2017	2018	2019	2017	2018	2019	2017	2018	2019
		thousands KM			thousands KM			thousands KM		
	TOTAL	**19848987**	**21499125**	**22017248**	**4879062**	**5435092**	**5773572**	**2194302**	**2380927**	**2578734**
B	Mining and quarrying	394757	421362	387831	240304	254630	232137	113679	114465	121983
C	Manufacturing	4999270	5561382	5422577	1152356	1301397	1366308	626415	686898	744459
D	Electricity, gas,steam and air-conditioning supply	1061227	1218120	1159468	461881	554110	518245	226468	245397	250482
E	Water supply; sewerage, waste management and remediation activities	192796	203619	223603	107013	110688	131406	76786	83131	87487
F	Construction	1321236	1452928	1530607	396414	438626	468284	126031	143439	160915
G	Wholesale and retail trade; repair of motor vehicles and motorcycles	8604028	9249314	9491352	1052281	1185286	1237074	422824	458851	502581
H	Transport and storage	763534	815086	852218	309752	358538	349786	168799	174518	179525
I	Accommodation and food service activities	515226	650725	733763	138355	195765	265852	70121	75973	82751
J	Information and communication	721281	748053	796557	400927	408910	445671	138831	149621	159580
L	Real estate activities	52469	53860	68026	37163	35947	46330	8293	8781	8809
M	Proffesional, scientific and technical activities	451917	489297	574621	201329	245389	286394	88170	92340	104941
N	Administrative and support service activities	92351	115206	135070	54271	64945	80611	27790	35488	36086
P	Education[1)]	51480	50738	49799	34867	35231	35220	19880	20595	20935
Q	Human health activities[1)]	132384	142092	175485	78198	81919	105164	40670	44356	63796
R	Arts, entertainment and recreation[1)]	374159	192369	240317	162781	107303	134475	26033	32389	37673
S	Other service activities[2)]	120872	134974	175954	51170	56408	70615	13512	14685	16731

[1)] Enterprises and entrepreneurs from the private (profit) sector are covered in the sections P, Q and R
[1)] Except division 94 (Activities of membership organizations) which is not covered in accordance with the EU regulation 295/2008

Table 2a. Basic structural business variables by size of enterprises and entrepreneurs (2017-2019).

	Number of enterprises			Number of entrepreneurs			Number of persons employed		
	2017	2018	2019	2017	2018	2019	2017	2018	2019
TOTAL	**8034**	**8000**	**8079**	**18048**	**17815**	**17925**	**180597**	**186885**	**194303**
Small (0-49 persons employed)	7539	7495	7556	18033	17801	17907	88805	90776	94008
Medium (50-249 persons employed)	417	418	435	12	11	15	42781	42738	44977
Large (250 and more persons employed)	78	87	88	3	3	3	49011	53371	55318

Basic structural business variables by size of enterprises and entrepreneurs are shown in Tables 2a and 2b. The size of the enterprise: small (0-49 persons employed), medium (50-249 persons employed) and large (250 and more persons employed) in relation to number of enterprises, entrepreneurs, persons employed and also turnover, value added at factor costs and personnel costs.

Table 2b. Basic structural business variables by size of enterprises and entrepreneurs (2017-2019).

	Turnover			Value added at factor costs			Personnel costs		
	2017	2018	2019	2017	2018	2019	2017	2018	2019
	thousands KM			thousands KM			thousands KM		
TOTAL	**19848987**	**21499125**	**22017248**	**4879062**	**5435092**	**5773572**	**2194302**	**2380927**	**2578734**
Small (0-49 persons employed)	9847602	10702495	11241323	2045066	2362920	2642108	776241	842863	907911
Medium (50-249 persons employed)	5328347	5442864	5451053	1110683	1076428	1188064	565664	583123	652728
Large (250 and more persons employed)	4673038	5353766	5324872	1723313	1995744	1943400	852397	954941	1018095

Using secondary data, the connection between the dependent and independent variables was examined, ie. a correlation was made, and all in order to determine the relationship between dependent and independent variables, then it was necessary to determine the significance α. Significance level is taken α=0.05. Table 3 presents the correlation between dependent and independent variables (number of enterprises, number of persons employed, turnover, value added at factor costs, personnel costs).

Correlation between turnover and total number of enterprises: Pearson's correlation coefficient is 0,306, which means that the relationship is weak and the empirical significance of the correlation coefficient α*=0,401. Thus α*>0,05%, ie that the correlation between the observed variables is not statistically significant.

Correlation between turnover and total number of employees (number of persons employed): Pearson's correlation coefficient is 0,943, which means that the relationship is very strong and the empirical significance of the correlation coefficient α*= 0,108. Thus α*>0,05, ie that the correlation between the observed variables is not statistically significant.

Correlation between turnover and VAT (value added at factor costs): Pearson's correlation coefficient is 0,988, which means that the relationship is strong and the empirical significance of the correlation coefficient α*=0,049. Thus α*<0,05, ie that the correlation between the observed variables is statistically significant.

Correlation between turnover and staff costs: Pearson's correlation coefficient is -0,963, which means that the relationship is very strong, and the empirical significance of the correlation coefficient α*=0,173.

Thus α*>0,05, ie that the correlation between the observed variables is not statistically significant. Correlation between income and staff costs: Pearson's correlation coefficient is 0,952, which means that the relationship is very strong, and the empirical significance of the correlation coefficient α*= 0,099. Thus α*> 0,05 the correlation between the observed variables is not statistically significant.

Table 3. Descriptive Statistics - correlation between dependent (turnover) and independently variable (number of enterprises, number of persons employed, turnover, value added at factor costs, personnel costs).

	Mean	Std. Deviation	N
Turnover	21121786,6667	1132310,51588	3
Number of enterprises	8037,6667	39,62743	3
Number of persons employed	187261,6667	6860,75924	3
Value added at factor costs	5362575,3333	451642,59679	3
Personnel costs	2384654,3333	192243,10239	3

Correlations		Turnover	Number of enterprises	Number of persons employed	Value added at factor costs	Personnel costs
Pearson Correlation	Turnover	1,000	,306	,943	,988	,952
	Number of enterprises	,306	1,000	,606	,448	,582
	Number of persons employed	,943	,606	1,000	,983	1,000
	Value added at factor costs	,988	,448	,983	1,000	,988
	Personnel costs	,952	,582	1,000	,988	1,000
Sig. (1-tailed)	Turnover	.	,401	,108	,049	,099
	Number of enterprises	,401	.	,293	,352	,302
	Number of persons employed	,108	,293	.	,060	,010
	Value added at factor costs	,049	,352	,060	.	,050
	Personnel costs	,099	,302	,010	,050	.
N	Turnover	3	3	3	3	3
	Number of enterprises	3	3	3	3	3
	Number of persons employed	3	3	3	3	3
	Value added at factor costs	3	3	3	3	3
	Personnel costs	3	3	3	3	3

Table 4. Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	1,000[a]	1,000	.	.	1,000	.	2	0	.	,000

a. Predictors: (Constant), Personnel costs, Number of enterprises
b. Dependent Variable: Turnover

The correlation coefficient is 1,0 which means that the relationship is complete (perfect) (Table 4). Also, testing was performed to see if there was a significant difference between the two variables, where the F test was used. Since the coefficient of determination is 1, the relationship is complete, there is no residual deviation (Table 5a, 5b).

Table 5a. ANOVA[b] (a. Predictors: (Constant), Personnel costs, Number of enterprises, b. Dependent Variable: Turnover)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2,564E12	2	1,282E12	.	.[a]
	Residual	,000	0	.		
	Total	2,564E12	2			

Table 5b. Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95,0% Confidence Interval for B		Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
1	(Constant)	90687417,117	,000		.	.	90687417,117	90687417,117		
	Number of enterprises	-10699,900	,000	-,374	.	.	-10699,900	-10699,900	,662	1,511
	Personnel costs	6,893	,000	1,170	.	.	6,893	6,893	,662	1,511

The parameters are used to determine the multiple regression model, which gives a picture of the influence of independent variables on the dependent one. Using a regression model, we can determine that forecast company Turnover based on the value of variables (Number of enterprises, Personnel costs).

$Y = 90687417{,}11 - 10699{,}9\mathbf{x}_1 + 6{,}893\mathbf{x}_2$

$\mathbf{x}_1$- Number of enterprises

$\mathbf{x}_2$- Personnel costs

Any increase in the number of companies from 1 where staff costs are constant, turnover will fall by 10699,90 KM. If staff costs increase by 1 with a constant in the number of companies, the turnover is increased by 6,89 KM.

From the above it can be concluded that if new companies are opened, the average turnover will fall by 10,70 KM, but if we have higher costs by investing in staff, we increase turnover by 6,89 KM.

To increase its competitiveness, the European Union (EU) seeks to strengthen activities in the areas of research and innovation, information and communication technologies, entrepreneurship, education and training. In order to better position itself and be competitive in the international market, domestic companies need to improve their business. In today's business environment,

competitiveness defines knowledge and quality. Business should be based on the experience of other economic entities that have successfully passed this process with the application of modern management methods and techniques. Changes are the basis of modern business and domestic companies if they want to survive must be innovative and adapt to changes in the market. Flexibility to change and a better competitive position must be based on knowledge, through a continuous process of improvement and improvement of the workforce. The past multi-year period on the Bosnian-Herzegovinian market is characterized by a negative demographic trend which, along with the growth of population migration, primarily to European countries, was reflected in the decline in labor supply. The structural problem of the economy was further complicated by the advent of COVID-19. Having in mind new phenomena, future activities should be focused on proposals and recommendations for overcoming structural economic and social problems, ie establishing a sustainable, productive and socio-economic society. From this aspect, the importance of joint action of all socio-political actors is reflected, where it is necessary to take a strategic approach in terms of the sustainability of the entire system.

One of the most important preconditions for sustainability and new challenges is the efficient management of natural and human resources, with a special emphasis on issues of redistribution and equal opportunities in the approach to the management and use of natural resources. The digitalization of the education system, administration and economy represents an opportunity that can be used to overcome the problems of public spending, the informal economy and problems in the redistribution of social wealth in general. Through the process of digitalization in a short period of time it is possible to create an efficient administration and a competitive economy that will, based on the management of natural and human resources, creating enough value for a dignified life of citizens, keep pace with developed economies.

Information and communication technologies, ie the IT sector as one of the key carriers of economic development in Republic of Srpska and Bosnia and Herzegovina should make a great contribution to technological development, exports, and general competitiveness of the economy. Digitization has proven to be one of the strategic trends that will now probably accelerate the transformation of the digital process of our economy. The global problem of the pandemic has also affected some positive changes, such as the purchase of domestic products, agriculture has awakened, digitalization has accelerated, from which some state institutions have clearly fled, certain industries have been reoriented, and so on. This crisis has shown that it does not take years and huge financial investments to reform the public administration, the labor market, that is, to accelerate the digitalization of the economy. In addition to the financial and administrative sector, digitalisation proved to be crucial for education during the pandemic. The current situation has introduced us to the importance of the IT industry.

The crisis has emphasized the importance of a stable financial sector, as well as the importance of development and the private sector, flexible regulation, which is reflected in the readiness to respond to new circumstances - challenges and market needs. Proposals and suggestions can help create a vision of a modern, secure and prosperous society in Republic of Srpska and Bosnia and Herzegovina as well. Through the proposed changes, it needs to adapt its business models to the business after COVID-19 and the new conditions, as well as to address barriers that hinder competitiveness and innovation. The complexity of the challenge requires a responsible approach in dynamic planning with the animation of all available strategic planning resources. The complexity of the challenges that our community will face in the future should be the starting point for creating a vision and defining strategic goals.

Lack of management knowledge affects the responses and needs of organizational units needed for strategic decision-making (Đervida, 2013). Adapting to change and survival means improving the business environment at the level of B&H. The impact of the COVID-19 pandemic on business entities will also mark the 2021 business year. In addition to market disruptions, the business of businessmen in Republic of Srpska and Bosnia and Herzegovina as well was also affected by measures introduced by the Government and other competent authorities in order to prevent the spread of the virus. All this had a negative impact on the company's operations (decline

in revenues and profits, decline in demand for certain products and services, decline in production, reduction of investment in companies, reduction in labor productivity ...).

The problem of reduced labor productivity as a result of the pandemic and government measures is present in the vast majority of industries. In order to achieve long-term sustainable economic growth, macroeconomic stability is needed. Effective preparations for changes in business and financing methods include the Corporate Governance and Capital Raising Training Program, which will facilitate the financing of the future operations of these companies.

CONCLUSIONS

Achieving long-term sustainable economic growth requires Republic of Srpska and Bosnia and Herzegovina as well, to have macroeconomic stability. Depending on which phase of the economic cycle the country is in, the direction of economic policy is defined. The goal is to stabilize economic growth, avoid, ie reduce future risks, through a business continuity plan, which is a shortcoming in the domestic economy. Economic trends also affect the increase or decrease in the number of employees, and the consequence of the pandemic is largely accompanied by a decline in labor productivity.

Reconstruction of the economic model is needed, in order for Republic of Srpska and Bosnia and Herzegovina to be globally competitive. In the future, it's strategy should be focused on global thinking, take advantage of this crisis and, following the example of the countries of the region, use the specific structure of crisis demand in the global market.

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