

STRATEGIC MANAGEMENT AND COMPETITIVENESS OF ORGANIZATIONS IN TERMS OF UNSTABLE AND DISTURBED SECURITY

Goran Vasilevski, Ph. D.

Assistant Professor,
Ministry of Defence of Republic
Macedonia, Skopje, R. Macedonia.

Lidija Stefanovska, Ph. D.

Assistant Professor & Head,
BAS Institute of management Bitola,
Bitola, R. Macedonia.

ABSTRACT

Armed conflicts, ethnic and religious instability and general decline of security in certain regions represent an obstacle to successful strategic management in an organization, regardless of its size or activity. If we add to this the illegal competition triggered by criminal phenomena that are often present in such an environment, the organization has a serious challenge to maintain and preserve the successful operation during a longer period of time, especially since it is difficult to predict the intensity and duration of the disturbed security environment.

Hence, regardless of the projected organizational strategy that provides the organization to move towards its vision, it is not always possible to predict all the events in a broader context, which could significantly affect the destabilization of the organization and its competitiveness on the market.

Given the fact that the side effects that are present in an unstable and disturbed security significantly burden the budget of the state, they have potential to reduce or completely prevent the successful management and operation of organizations. Therefore, the interest of this paper is aimed precisely at the possibilities for successful strategic management in organizations, in an unstable condition or compromised security in the country or in the wider region.

Keywords: *strategic management, security, unfair competition, organizational intelligence, competitiveness.*

Introduction:

Globalization has contributed significantly to the expansion of the business, opening the world market, strictly divided into bipolar period. It was the one side of the coin. The other side shows that conditions that have enabled the free flow of capital and have enhanced competition, in a relatively short period produced surplus products and services that contributed to the market saturation. At the same time, the transition of the state into free (private) capital which involved interaction between the state and the private sector, only in part of the countries of the former socialist bloc was conducted in accordance with the legal norms, which clearly defined the objectives of the state on the one side and the private sector on the other side. In most of them there was manipulation of legislation, which contributed to the appearance of corruption and organized crime that

weakened the role of the state as well as contributed to unfair competition.

Additionally, since the nineties of the last century, the world has been in an atmosphere of frequent armed conflicts, marked by rapid passing from one region to another, as well as by a long period in which the consequences were repaired. These unsafe conditions pose a real challenge to the management of organizations. This is especially when it comes to small and medium enterprises whose competitiveness is mainly oriented towards national and regional market. If we add security threats produced by globalization (terrorism, ethno-religious intolerance ...) and the reduction of healthy environmental resources and energy resources, it is clear that strategic management should take into account the possibility of the action of the organization in terms of unstable and impaired safety.

Such situations require management to show skill on the harmonization of the primary objectives with actual market conditions, in order to allow profitability when the market does not insure secure conditions for action. Unsafe conditions require an entirely new approach to planning strategy for the production, marketing and distribution, as not taking into consideration the new situation will lead to non-harmonization with market reality, which in turn leads to the creation of additional losses for the organization.

Sufficient examples of negative impacts on the organization in terms of unstable and disrupted security are the crises and conflicts on the territory of the former Yugoslavia, the Middle East, the unstable states of the African continent and of course, the current crisis in Ukraine. Hence the need to create an appropriate strategy for managing the organization in such circumstances, which may be of particular importance for SMEs.

The impact of impaired security on strategic management:

Impaired security in a society implies a range of phenomena that create negative effects and disturb security, or have a large contribution to the destabilization of a country, where the effects can be felt on a larger territory as well. The state of unstable or disturbed security does not go in favour of organizational management. The unpredictability of market demand and increased competition as one of the features of globalization that the management team must take into consideration in planning and policy strategy of the organization, may be additionally burdened with a disruption of the security environment in which it should be acted. Of course, the greatest impact on strategic planning has the global component and the unpredictability of events with the potential to radically change the situation in the world market.

This is confirmed by September 11, 2001 and the terrorist attack on the World Trade Centre in New York, when there was a change in the understanding of the risks. This event brutally pointed out the vulnerability of organizations in terms of security breaches and signalled a greater focus on risk management (Jolly, 2003). The latest confirmation of the impact that certain unstable areas have on organizational management and competitiveness in global terms is the current crisis in Ukraine. The continuing escalation of this latest crisis produces disturbing signals for the global economy that occur as a result of the deteriorating political and security environment in that part of the world.

Because no one can predict the future, one of the essential priorities of strategic management is an investment in quality personnel capable of successful organizational intelligence. Besides determining the market situation and the actions of the competition, this

organizational segment should provide information and assessment of the security condition to the top management, which is important if the organization has the intention of long-term investment or investment in capital projects. The organizational intelligence is tasked to provide relevant information on the overall situation in a particular region, especially if there are risk indicators for the designed strategic investment of the organization. In this sense, the information on the potential deterioration of the political and security climate in the regions of interest further influence the management of the organizational strategy. Of course, it should be emphasized that despite the interoperability, this information is focused on priorities, largely different from political and military-security interests where the stakes, realistically speaking, are much higher. In simple terms, organizational intelligence includes collection, processing and dissemination of financial, commercial and government information as well as market oriented data of competitive companies, countries or alliances. The top management of any serious organization must make a serious study of the possibilities for presentation on planned markets in order to provide a better competitive position as a potential instability in the wider region could threaten the flow of funds, the realization of the planned projects and the development, investment, productivity and ultimately economic growth (Potter, 1998).

How big is the impact of the impaired security on competitiveness and the success of the organizational strategy was seen through the many years of insecurity of the maritime transport in the Gulf of Aden and the interruption of the flow of natural gas from Russia to Ukraine in 2006. In the first case, given the fact that 90% of EU trade is carried out by sea, it is clear that the competitiveness of a significant number of organizations was endangered. (Van Ginkel et al., 2010). In the case of the interruption of gas in 2006, it was caused not only direct damage to a number of organizations in the area and outside the EU, but it was interpreted as a threat to the security of the EU itself in terms of dependence on providing the necessary energy sources.

Examples (comparison):

The impact of impaired security in certain regions, affects managerial performance with different effects. There are a number of examples, but we will focus on a few.

In the period of the bloc division, SFR Yugoslavia was one of the few socialist countries which consumed and exported products both from the markets of the East and West Bloc. The focusing of the Western countries to the turbulent events in the Eastern Bloc led to the collapse of the largest enterprises in Yugoslavia. Besides the separatist tendencies, the beginning of the political instability on the territory of Yugoslavia was characterized by the

fact that the market lost a number of imported products, and the state was no longer able to pay the import of oil, equipment and raw materials. That caused a break in the production process of a significant number of organizations and restrictions on providing scarce essentials, resulting in economic crisis and high inflation. It should be borne in mind that the leadership (management) of organizations in Slovenia, Croatia and a number of organizations from Serbia, were far more independent of the internal market, than in the case of Bosnia and Herzegovina, Macedonia and Montenegro. It clearly indicated the uneven economic development of the republics, which can be seen through the table which shows the GDP compared to the Yugoslav average in the period from 1960 to 1989.

Table – 1: GDP compared to the Yugoslav average in the period from 1960 to 1989

Index of GDP per capita in terms of average GDP in Yugoslavia in the period from 1960 to 1989 (US \$)				
	1960	1970	1980	1989
BiH	75.95	67.58	65.98	67.91
Montenegro	65.67	76.36	79.00	73.70
Croatia	119.30	125.56	126.68	126.26
Macedonia	63.85	69.95	67.24	64.75
Slovenia	180.53	193.64	198.32	196.80
Serbia	96.39	95.67	98.24	103.62

Source: Vojnić D.(1995), Disparity and Disintegration: The Economic Dimension of Yugoslav’s Demise; Yugoslavia, the Former and Future: Geneva, Switzerland: United Nation Research Institute for Social development, 78-81

The unstable security situation which resulted from armed conflicts in the territory of the former Yugoslavia from 1991 to 2001, had the most powerful consequences in the economically weakest countries, where part of the then state-owned organizations were transformed into joint stock companies, some moved into private ownership, a significant part extinguished or went bankrupt. The adverse security environment for strategic management of organizations in this period was further deteriorated by the impact of organized crime and corruption, which weakening the role of the states in this region, were unfair competition in the reduced market. The inability of the state to allow (economically) conditions for normal competition to win the market, presented a major risk to the successful management of organizations (Buzan, 2010), which is evident with some of the states arising from Yugoslavia, especially those in the southeast. This is easily visible when comparing the index of GDP in countries with unstable security situation in long-term. The NATO intervention against Yugoslavia (then composed of Serbia and

Montenegro) should also be borne in mind because the index of GDP of Montenegro years after the separation (in 2003), is showing a remarkable progress.

Table – 2: Comparing the index of GDP in countries with unstable security situation

Index of GDP per capita in terms of average GDP in Yugoslavia in the period from 1960 to 1989 (US \$)				
	2000	2005	2009	2010
BiH	/	55.83	76.58	78.27
Montenegro	/	82.38	129.28	130.86
Croatia	109.34	157.95	198.89	192.55
Macedonia	58.99	78.77	112.90	116.29
Slovenia	175.72	234.72	270.22	270.05
Serbia	/	85.17	111.92	110.70

Source: UNECE (United Nations Economic Commission for Europe, Statistical Database), from <http://w3.unece.org/pxweb/>

This example is typical because the impaired security did not have a significantly negative impact on the regional and international market. It should be noted that the organizations in the former Yugoslavia, whose top management had a clear projection of the situation of national, regional and international markets, along with the security trends in the country and the environment, not only maintained competitiveness in the markets where they were present, but increased their supply in other markets as well.

The "transition shock" experienced by the Macedonian economy was extremely strong and resulted in high rates of negative GDP movement. The tendency of declining GDP was particularly pronounced in the first four years of transition, i.e. from 1990 - 1993, just as the Republic of Macedonia declared its independence, a condition that was on the verge of a crisis, in security terms (EBRD, 2002). Synthetically speaking, one of the reasons for the poor performance of Macedonia's economy is the strong influence of a string of non-economic factors, including embargoes and the Kosovo crisis. According to the main macroeconomic indicators derived from EBRD 2002, and the Ministry of Finance of the Republic Macedonia (Ministry of finance, 2001), it can be concluded that in that period the state lacked foreign direct investments, which modestly begin to occur in 1994.

Also, political and security developments in Ukraine, for the second time in a relatively short period, significantly worsen market conditions. The deteriorating security situation has particularly undesirable effects on the profitable operation of a significant number of organizations from the EU and Russia. In fact, the risks around the projections for the global economy are mainly associated with the conflict in Ukraine and its duration. Geopolitical tensions over Ukraine that still exist, the reduced production by Libya

due to the military conflict and the unfolding of the conflict in Iraq is the reason that in the second quarter of 2014 there was a small increase in oil prices, expressed in Euros. Thus, the price of crude oil "Brent" was EUR 80.08 a barrel in this period, on average, which was an increase of 1.6% compared to the previous quarter (NBRM, 2014).

Also, in the inflation expectations survey conducted in June 2014 the respondents as the main factors for their expectations cited the low domestic inflation performance, low inflation in the Euro zone, a possible increase in food prices due to the bad weather that hit the region, as well as uncertainty about the movement of prices of fuels in terms of military crises in Ukraine and Iraq (NBRM, 2014).

Institutional support for developing Countries:

The impaired security in many of the countries, especially in the Balkans, caused abnormal climate for creating new and maintaining the existing businesses. Therefore, in most of the developing countries the institutional infrastructure was created in order to support businesses, especially the SMEs. Croatia can be cited as a positive example, which made a big step in this direction, as can be seen from the chart below, which was one of the prerequisites for entry into the EU.

In 2007 Croatia adjusted the Company Law to European standards, which actually facilitated the process of achieving the vision of Croatia's entry into the European family.

Table 3: Institutional infrastructure created in order to support businesses

	Central Agency	Regional Agency	Local Agencies	Business Incubators	Innovation Centres	Entrepreneurship Zones	Information Centres	Consulting Network
Serbia	X	x	x	x		x	x	
Croatia	X	x	x	x	x	x	x	x
Bosnia and Herzegovina		x	x	x			x	
Macedonia	X	x	x	x			x	
Bulgaria	X	x	x	x			x	
Romania	x	x	x	x	x		x	

Source: Risteska A. The Impact of Small and Medium Enterprises on Economic Development, with Particular Reference to the Republic of Macedonia, (Unpublished Doctoral dissertation), UKLO Bitola, p. 146;

The significance of the development of SMEs is undeniable, given the fact that they become an important factor in the development of the overall economy of a country and have taken the role of leaders of the new way of doing business. It is

undeniable that one of the main factors that make this possible is the application of ICT in their current work. It helps the application of ICT in organizations management especially if the security is impaired or there is a transition period, given the fact that the organization reduces the operating costs. The implementation of modern ICT products and services by SMEs is the basis for the development of structural competition, especially important for foreign markets and one of the key measures for association in the European Community. GFA Consulting Group in the analysis of ICT in the SME sector in the country said that "in 2006 the level is lower than the corresponding levels of EU countries in the period from 2000 to 2001, which means that the country is more than 5 years late in application of ICT in the SME sector." This fits well with the recommendations of strategic managers who in such crisis situations recommend hybrid strategy, i.e. a strategy of competitive advantage where the focus is on low costs, but when the market believes that the products have superior value (Bowman, 1996) It comes from the fact that today consumers worldwide require elevated values in products and services.

Conclusion:

In conditions of poor security, strategic managers rely on the application of situational analysis, which refers to the observation, description and analysis of the situation in which the organization is. It includes analysis of the external environment, analysis of internal capacity, a description of the existing strategy and analysis of the financial performance of the organization in the previous period and now.

If we start from the fact how the term crisis is defined in the dictionary Merriam-Webster: "unstable or critical time or order of things when a crucial change is anticipated" (<http://www.merriam>), then it is more than clear that by the application of situational analysis of strategic managers they need to make certain decisions accompanied by a series of organizational changes. It is an integral part of their managerial work, which as a result should lead to streamlining organizational actions in the right direction, given the circumstances in which they operate. However, specificity is bigger when it comes to unstable security environment, such as (Boin et al., 2010).

Decisions can have major consequences that can affect the fundamental values of the organization and the interests of the community;

Timeframe is often relatively short, causing huge pressure for strategic managers, which in itself raises the fact that in this case, the process of deciding cannot pass all stages recommended by literature and practice;

If it comes to managing organizations that exist in areas with long-term crises, crisis team members may become victims of the so-called " Bunker syndrome ",

i.e. they tend to isolate from the organization and the outside world, experiencing the team as a sheltered place (a shelter) from the pressure of the crisis without a willingness to balance the perception of the crisis with the changes happening in the external environment (Janis, 1982). The pressure of the crisis and the perception of the management teams can often lead to avoidance of personal responsibility of each of them for taking actions that would have far-reaching consequences and which could influence the evaluation after the crisis. One of these forms of distancing is strategic avoidance, i.e. continuous insistence that the primary responsibility for management in this context is a responsibility of other organizations and institutions (Keskovic, 2012). However, strategic decision making is one of the basic functions of management and in any context based on forecasts for the development of the situation and choosing among several possible solutions, it should decide on the future directions of activity of the organization as a whole and its separate parts and employees in general (Reason, 1990).

References:

- [1] Buzan B., (2010), „People, States and Fear“, Academic Press; Skopje, p.102;
- [2] Boin, A., Hart, P., Štern, E. and Sandelijus, B., (2010), Policy of Crisis Management, Official Gazette / Faculty of Security studies, Beograd, p. 46;
- [3] Bowman C., (1996), Competitive and Corporate Strategy;
- [4] EBRD (2002), Transition Report, London: 56-59;
- [5] GFA Consulting Group for the European Commission (2006), “ICT Application in the SME Sector and e-Government Services for SMEs: Status and Suggestions for Improvement”, (EuropeAid / 05MAC01 / 10 / 001 EAR);
- [6] Janis, I. L., (1982), Groupthink, Houghton Mifflin, Boston;
- [7] Jolly A., (2003), “Managing Business Risk”, Kogan Page Publishers, London, p.3;
- [8] Kesetovic V., Toth I., (2012), Problems of Crisis Management – Scientific Monograph – Veleuciliste Velika Gorica, p. 42;
- [9] Newsletter, (2001), Ministry of Finance of the Republic of Macedonia, Skopje, No.5/2001, p.7;
- [10] Potter. E. H., (1998), “Economic Intelligence & National Security”, University press; Carleton, p. 1;
- [11] Reason, J., (1990), Human Error, Cambridge University Press, Cambridge.
- [12] Risteska A. The Impact of Small and Medium Enterprises on Economic Development, with Particular Reference to the Republic of Macedonia, (Unpublished Doctoral dissertation), UKLO Bitola, p. 146, from http://eccfp.uklo.edu.mk/files/PostgraduateUplod/doktorska_disertacija_Aneta_Risteska.pdf;
- [13] Quarterly Report of NBRM, (2014), National Bank of the Republic of Macedonia, 10 - 32, from http://www.nbrm.mk/WBStorage/Files/Istrazuvanje_Kvartalen_izvestaj_juli_2014.pdf,
- [14] UNECE (United Nations Economic Commission for Europe, Statistical Database), from <http://w3.unece.org/pxweb/>
- [15] Van Ginkel.B., Van der Putten.F.P., (2010), The International Response to Somali Piracy-Challenges and Opportunities, Leiden, Boston, p. 105;
- [16] Vojnić D., (1995), Disparity and Disintegration: The Economic Dimension of Yugoslav's Demise; Yugoslavia, the Former and Future: Geneva, Switzerland: United Nation Research Institute for Social development, 78-81;

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.