



GLOBALIZATION OPPORTUNITIES AND THEIR IMPLICATIONS ON BUSINESS OPERATIONS AND COMPETITIVENESS OF COMPANIES IN BOSNIA AND HERZEGOVINA

Hasan Mahmutović

Associate Professor, Faculty of Economy in Zenica, Bosnia and Herzegovina

Azra Hadžiahmetović

Regular Professor, Faculty of Economy in Sarajevo, Bosnia and Herzegovina

Sead Talović

Ministry of Foreign Trade and Economic Relations of Bosnia and Herzegovina

ABSTRACT

Globalization provides new business opportunities for companies all over the world and, at the same time, puts before them new challenges they need to adapt to in order to achieve success in the market. Also, global trends impose on the companies requirements for enhancement of competitiveness as a key determinant of their success in both local and international market. This research deals with the implications of globalization opportunities on business operations and competitiveness of companies in Bosnia and Herzegovina (hereinafter: B&H). The research findings have led to the conclusion that B&H companies demonstrate a substantial level of internationalization of business activities and that they use globalization opportunities to enhance their competitiveness, albeit at a low intensity. Apart from that, the research findings indicate that globalization has a more favorable impact on large companies than on small and medium-sized companies, because large companies use globalization opportunities more frequently for the purpose of performing their business operations in the international market and improving their competitiveness.

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Keywords: Company competitiveness, Competitiveness factors, Globalization, Globalization opportunities, Internationalization, Small and medium-sized companies.

Contribution/ Originality

This study is one of the very few studies which have investigated utilization of globalization opportunities by B&H companies in performing their business activities and enhancing their

competitiveness. The papers' original contribution is finding that globalization has a more favorable impact on large companies than on small and medium-sized companies.

1. INTRODUCTION

Accelerated process of globalization, taking place at the turn of the new century, puts before the players of the world economic stage numerous challenges and requirements (Hadžiahmetović, 2011). Thus, global economic integration, local deregulation and development of information and telecommunication technologies encourage companies to globalize their business activities in order to achieve the best possible market positioning.

Thus, change is brought about in terms of widening and deepening of economic activities, as well as changing their nature itself, in a dynamical global arena (Harvey and Novicevic, 2002).

These global trends impose on companies requirements related to the increase of competitiveness as a precondition to achieve economic success on a global economic stage and ensure survival on the market.

The essence lies in the fact that in an open and liberalized world enhancement of companies' competitiveness becomes a key challenge (Fawzy, 2002; Wignaraja, 2004; Porter, 2008). Simultaneously, globalization based on the removal of barriers to international economic activities (Oman, 1999) encourages widening of the scope of mutual relationships between national economies, i.e. contributes to the increase in movement of resources, goods, workforce, capital, technology and foreign direct investment (Jepma and Rhoen, 1996; Easterly *et al.*, 2004).

These globalization processes create a specific context which offers various business opportunities to companies. With respect to this, it is important for companies to note processes and understand the trends brought along by globalization in order to be able to make adequate business decisions and achieve success in the market.

2. THEORETICAL BASES AND HYPOTHESES

Under the new global business conditions, companies must constantly work on the building and enhancement of competitive advantages instead of depending on the inherited or comparative advantages (Fawzy, 2002; Wignaraja, 2004; Domazet, 2007; Porter, 2008). This is particularly important because competitive advantages are temporary and are not sustainable in the long term. A company loses its competitive advantage if, for example, it advances by 20 percent while its competition advances by 30 percent.

In addition, companies do not achieve competitive advantage through the advancement of only one factor, but through continuous enhancement and combination of various competitiveness factors over time (Kotler, 2004).

In this context, it is important for a company to base its competitive advantage on quality, flexibility, design, reliability and networking.

Apart from this, maintaining of the existing and reaching an even higher level of competitiveness also requires investing into non-material assets such as: research and development,

technology, managerial, entrepreneurial and employees' skills, business organization, market development, information and communication technologies and the use of the internationally acknowledged methodology of product certification (in order to achieve an enhanced product credibility) (Fawzy, 2002).

The company is compelled to behave in accordance with these trends in order to achieve operational efficiency and enhance competitiveness. Otherwise, if it happens to ignore this fact, this will lead to competitive disadvantage and if it keeps lingering at this level, it will remain non-competitive (Domazet, 2007), which will in turn jeopardize its survival in the market.

Therefore, globalization brings to companies new business challenges and opportunities and it simultaneously 'pushes' them to enhance competitiveness providing them with access to many factors necessary for the building and enhancement of competitive capabilities.

Porter (2008) particularly emphasizes the opportunities to acquire inputs such as raw materials, capital and knowledge from anywhere, as well as widening of the scope of activities abroad and use of cheaper workforce and capital, which contributes to the achievement of competitive advantage. Furthermore, globalization enables easier access to new technologies, new skills, new markets and new sources of funds and, even more than ever before, better outside-oriented chances for future growth (Wignaraja, 2004).

Its positive effects on business are the reason that more and more firms (not only big corporations, but also small and medium-sized enterprises) are utilizing globalization opportunities and striving to have an international presence, even though they face pressing challenges (Zain and Ng, 2006).

Therefore, it is clear that globalization makes the availability of resources necessary for success and growth of companies more abundant (Thoumrungroje and Tansuhaj, 2007), and provides companies with greater business opportunities worldwide. This is particularly important for the companies from developing and transition countries, which are doing business in a poorly developed and non-stimulating business environment that does not provide them with many factors essential for their competitiveness.

The aforementioned globalization processes undoubtedly affect the companies in Bosnia and Herzegovina (B&H) as well, and many local authors have noted these trends (e.g.(Stojanov and Medić, 2001; Domazet, 2006; Mahmutović and Kulović, 2010; Hadžiahmetović, 2011)). Globalization opens numerous opportunities for B&H companies to enhance their competitiveness such as: acquisition of necessary inputs, knowledge, technologies, raw materials and funds from anywhere, interconnecting with foreign partners, promotion in the international market and the like. Sendić (2009) particularly highlights the growth of the local companies through internationalization of business.

However, if B&H companies wish to be competitive and play a significant role in the international market and EU market in particular, they urgently need to adapt to global challenges and accept current principles and ways of doing business that are in place in the European and global companies (Mahmutović and Kulović, 2010) and use more intensively the business

opportunities brought by globalization. Notwithstanding a large amount of literature dealing with the issue of globalization, its effects and the business opportunities it provides for companies, empirical research tackling this paper's subject is evidently scarce. Actually, empirical studies do not provide full support in explaining numerous aspects of globalization. In this context, particularly scarce is the research pertaining to the way in which the companies react to opportunities brought by globalization and to the scope and intensity of their use of the opportunities to perform business activities in the international market and enhance their competitiveness.

This particular fundamental observation initiated this paper's research taking companies in B&H as an example. For the purpose of the research, the following hypotheses have been set:

H1 – B&H companies' use of globalization opportunities to enhance their competitiveness is of low intensity.

H2 – Internationalization of B&H companies' business is at a very low level.

3. RESEARCH METHODOLOGY

Empirical research has been carried out on a three-level stratified sample of N=133 companies with a confidence level of 95% and a margin of error of 5%. Sample stratification has been performed in accordance with the classification of companies into small companies with 10 to 50 employees, medium-sized companies with 50 to 250 employees and large companies with over 250 employees¹.

As a research instrument we used a survey questionnaire, which was distributed by e-mail to the companies chosen by means of random sampling. The questionnaire was filled out by the company owners or high-ranking executives from the top management.

Measurement instrument for hypothesis testing, i.e. estimate of intensity of use of globalization opportunities to enhance companies' competitiveness, has been developed through a careful analysis of the literature tackling this subject (Jepma and Rhoen, 1996; Porter *et al.*, 2000; Fawzy, 2002; Wignaraja, 2004; Thoumrungroje and Tansuhaj, 2007; Porter, 2008;1998; Zain *et al.*, 2009). In this context, there were 11 factors identified (Table 1) related to companies' competitiveness (CF), whose greater availability to local companies has been ensured by globalization through the removal of barriers to international economic activities and widening of the mutual relationships between national economies and companies worldwide. The measurement has been carried out using a 5-point Likert response scale ranging from 1 to 5.

¹ Such classification according to the number of employees has been defined by the EC Recommendations number 2003/361/EC and recommended by the European Charter for SME in the Western Balkan Countries.

Table-1. Measurement instrument – globalization opportunities for enhancement of competitiveness

CF1 Visit to fairs abroad
CF 2 Promotion of the company in foreign markets
CF 3 Education of employees in line with world trends
CF 4 Acquisition of modern technology
CF 5 Acquisition of resources from abroad
CF 6 Acquisition of foreign financial assets
CF 7 Use of foreign experts' and consultants' services
CF 8 Use of foreign laboratories' services for product certification
CF 9 Interconnecting with foreign partners
CF 10 Introduction of new products/services in order to achieve presence in foreign markets
CF 11 Research and development in order to achieve presence in foreign markets

Source: Author's own construct

Testing of the second hypothesis pertaining to the internationalization of business activities of B&H companies has been performed on the basis of the analysis of data pertaining to three parameters: 1) number of markets on which B&H companies operate, 2) share of foreign markets in the overall business activities and 3) profit gained in foreign markets.

4. RESEARCH FINDINGS

The first step is to measure the intensity of use of globalization opportunities by B&H companies in order to enhance their own competitiveness, i.e. to what extent B&H companies use globalization opportunities to enhance their competitiveness.

For the purpose of testing the set hypothesis, we use correlation and regression analysis to check correlation of surveyees' views pertaining to individual competitiveness factors and the general view on use of globalization opportunities to enhance their competitiveness.

Table-2. Correlation analysis findings

Pearson's correlation coefficient	Company uses globalization opportunities to enhance competitiveness	p
Company uses globalization opportunities to enhance competitiveness	1.000	
Visit to fairs abroad	.428	.000
Promotion of the company in foreign markets	.461	.000
Education of employees in line with world trends	.422	.000
Acquisition of modern technology	.483	.000
Acquisition of resources from abroad	.254	.002
Acquisition of foreign financial assets	.375	.000
Use of foreign experts' and consultants' services	.552	.000
Use of foreign laboratories' services for product certification	.483	.000
Interconnecting with foreign partners	.413	.000

Continue

Introduction of new products/services in order to achieve presence in foreign markets	.311	.001
Research and development in order to achieve presence in foreign markets	.607	.000

Source: Author's own construct

Various authors provide different interpretations of the strength of relationships i.e. correlation. In this paper we use Cohen's interpretation of relationships according to which correlation is divided into: small $r = 0.10$ to 0.29 , medium $r = 0.30$ to 0.49 and large $r = 0.50$ to 1.0 (Pallant, 2009).

According to Table 2, surveyees' responses for all factors are significant, i.e. p value is lower than 0.05 . Correlation for factors Use of foreign experts' and consultants' services and Research and development in order to achieve presence in foreign markets is large, for factor Acquisition of resources from abroad it is small, while it has medium strength for other factors.

The reliability of the measurement scale i.e. the internal consistency of the factors shown in Table 2 has been checked by means of Cronbach alpha coefficient, which represents a measure of how closely related are a set of items as a group. According to majority of authors, this coefficient's minimum value should not be lower than 0.6 .

Table-3. Reliability of the measurement scale

Cronbach alpha	Number of factors
0.850	11

Based on the resulting Cronbach alpha coefficient of 0.850 , we hereby conclude that this is a high value proving the internal consistency of the measuring instrument i.e. that items measure the basic (latent) construct. The above stated results of the correlation analysis and coefficient of reliability of the measurement scale (Cronbach alpha) lead to the conclusion that the perception of surveyees on globalization opportunities used for enhancement of companies' competitiveness is related to competitiveness factors (CF) shown in Table 2. This conclusion implies that the factors of globalization opportunities used as a basis for measurement have been correctly selected. Furthermore, with the aim of making a final conclusion on the intensity of use of the aforementioned globalization opportunities, average values of these factors have been calculated and the results are shown in Table 4.

Table-4. Average values of competitiveness factors and standard deviations for all companies

Factors	Average	Standard deviation	N
Company uses globalization opportunities to enhance competitiveness	2.98	1.193	133
Visit to fairs abroad	3.09	1.411	133

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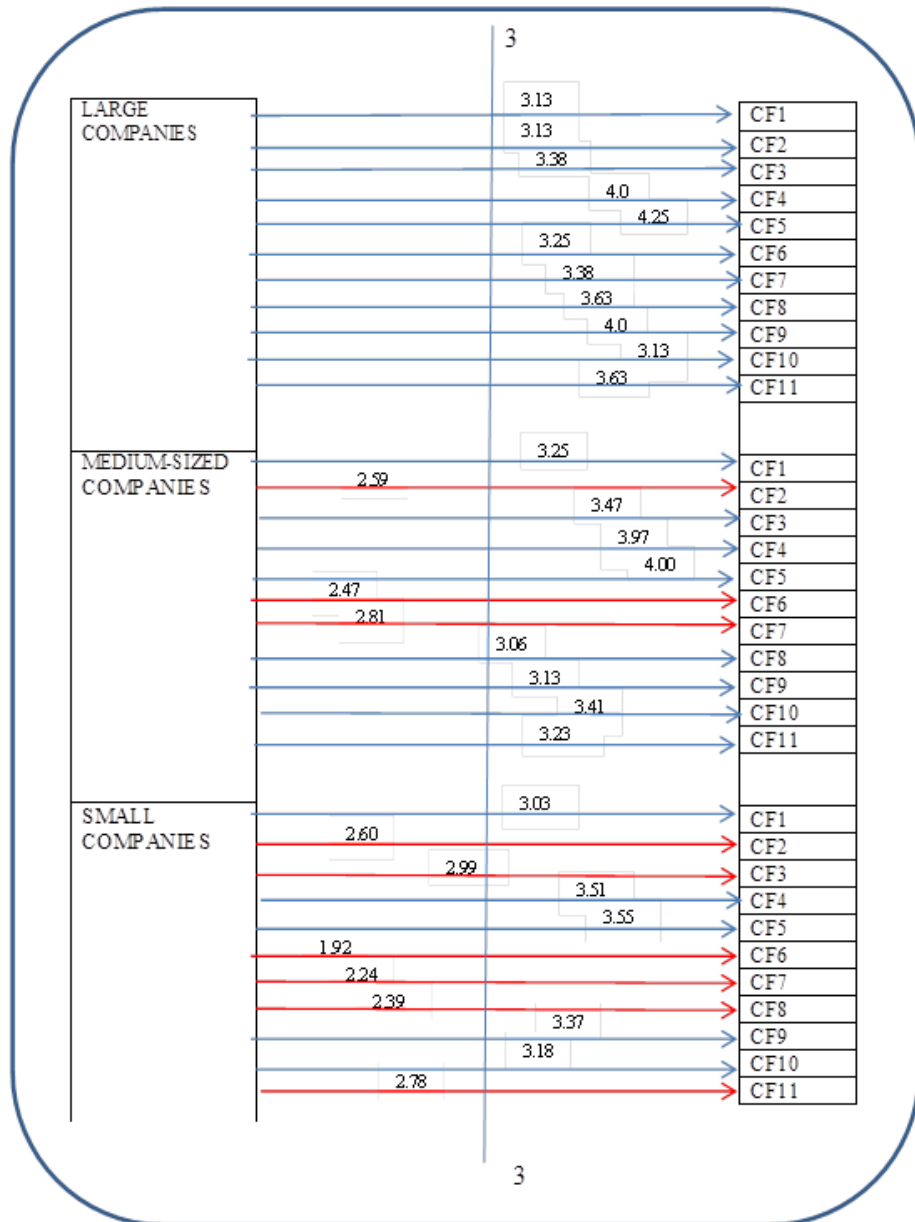
Promotion of the company in foreign markets	2.63	1.258	133
Education of employees in line with world trends	3.13	1.282	133
Acquisition of modern technology	3.65	1.304	133
Acquisition of resources from abroad	3.70	1.237	133
Acquisition of foreign financial assets	2.14	1.242	133
Use of foreign experts' and consultants' services	2.44	1.334	133
Use of foreign laboratories' services for product certification	2.62	1.396	133
Interconnecting with foreign partners	3.35	1.303	133
Introduction of new products/services in order to achieve presence in foreign markets	3.22	1.284	133
Research and development in order to achieve presence in foreign markets	2.96	1.336	133

In order to make conclusions related to the set hypothesis, which arise from statistical analysis, we need to set the boundary (marker) based on which we can determine the intensity of use of the stated globalization opportunities by companies in B&H. For the purpose of this hypothesis, we will follow the principle that the average grade 3 represents the boundary below and above which we valorize the intensity of use of individual factors (according to Likert response scale ranging from 1 to 5) shown in Table 4. Hence, a grade above 3 represents a higher intensity of use of globalization opportunities i.e. a sufficient extent of use, while a grade below 3 represents a lower intensity of use of globalization opportunities i.e. an insufficient extent of use.

According to Table 4, based on the average value of surveyees' responses, we can conclude that the following factors were given grades higher than 3: Visit to fairs abroad, Education of employees in line with world trends, Acquisition of modern technology, Acquisition of resources from abroad, Interconnecting with foreign partners and Introduction of new products/services in order to achieve presence in foreign markets. Thus, in line with the above set boundary, we can conclude that B&H companies use these factors more intensively. This conclusion does not support the hypothesis that the use of globalization opportunities by B&H companies to enhance their competitiveness is of low intensity. However, in regard to these results, we can also notice that the value of most factors that have been graded as sufficient is more inclined to the rank 3 than the rank 4, which implies a modest intensity of use of these factors. The remaining factors that were given grades lower than 3: Promotion of the company in foreign markets, Acquisition of foreign financial assets, Use of foreign experts' and consultants' services, Use of foreign laboratories' services for product certification and Research and development in order to achieve presence in foreign markets have been used by B&H companies at a lower intensity, which supports the set hypothesis that the use of globalization opportunities by B&H companies to enhance their competitiveness is of low intensity.

Therefore, based on the research findings, we can confirm the set hypothesis only partially. In the context of the above stated research results, we can also conclude that B&H companies are principally involved in globalization processes and that they use globalization opportunities to enhance their competitiveness, albeit at a low intensity. Figure 1 below represents the research findings for each of the three analyzed company categories.

Figure-1. Use of globalization opportunities to enhance companies' competitiveness, average values.



Source: Author's own construct

Based on Figure 1, we can note significant differences in the use of these factors between companies of various sizes. Factors that are, according to the previously defined principles, used at a higher intensity i.e. to a sufficient extent, have been marked with a blue arrow, while those used at a lower intensity i.e. to an insufficient extent have been marked with a red arrow.

Research findings pertaining to large companies, according to all 11 measured factors, show that these companies use globalization opportunities for the purpose of enhancing their competitiveness at a higher intensity (average grade being above 3); hence, the data acquired for this group of companies do not support the set hypothesis.

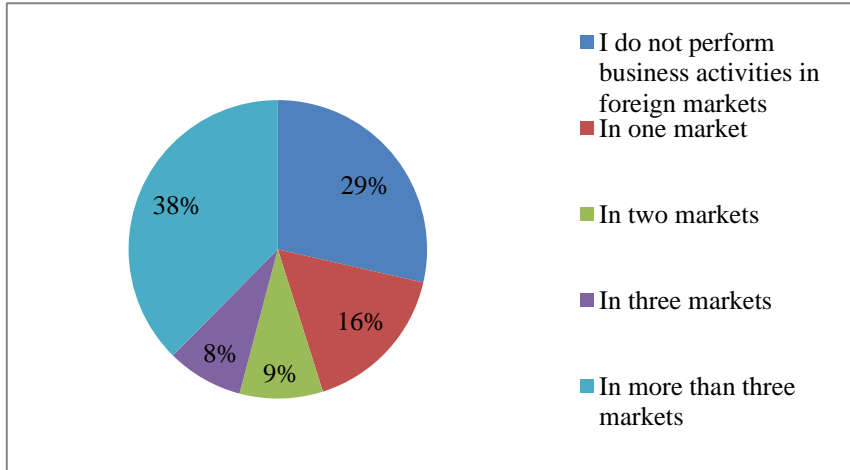
Research findings for medium-sized companies according to the following 8 parameters: Visit to fairs abroad, Education of employees in line with world trends, Acquisition of modern technology, Acquisition of resources from abroad, Use of foreign laboratories' services for product certification, Interconnecting with foreign partners, Research and development and Introduction of new products/services in order to achieve presence in foreign markets show that these companies use globalization opportunities to enhance their competitiveness at a higher intensity (average grade being above 3). These results do not support the set hypothesis. Research findings for the remaining 3 factors: Promotion of the company in foreign markets, Acquisition of foreign financial assets and Use of foreign experts' and consultants' services indicate that these companies use globalization opportunities factors for the purpose of enhancing their competitiveness at a low intensity (average grade being below 3). Therefore, the acquired data support the set hypothesis.

Research findings for small companies in line with the following 5 factors: Visit to fairs abroad, Acquisition of modern technology, Acquisition of resources from abroad, Interconnecting with foreign partners and Introduction of new products/services in order to achieve presence in foreign markets indicate that these companies use globalization opportunities factors for the purpose of enhancing their competitiveness at a higher intensity (average grade being above 3). These data do not support the set hypothesis. Research findings for the remaining 6 factors: Promotion of the company in foreign markets, Education of employees in line with world trends, Acquisition of foreign financial assets, Use of foreign experts' and consultants' services, Use of foreign laboratories' services for product certification and Research and development in order to achieve presence in foreign markets show that these companies use globalization opportunities factors for the purpose of enhancing their competitiveness at a low intensity (average grade being below 3); hence, the acquired data support the set hypothesis.

Regarding the aforementioned research findings for certain categories of companies, we can conclude that larger companies use globalization opportunities to enhance their competitiveness at a greater scope and intensity than the smaller companies do.

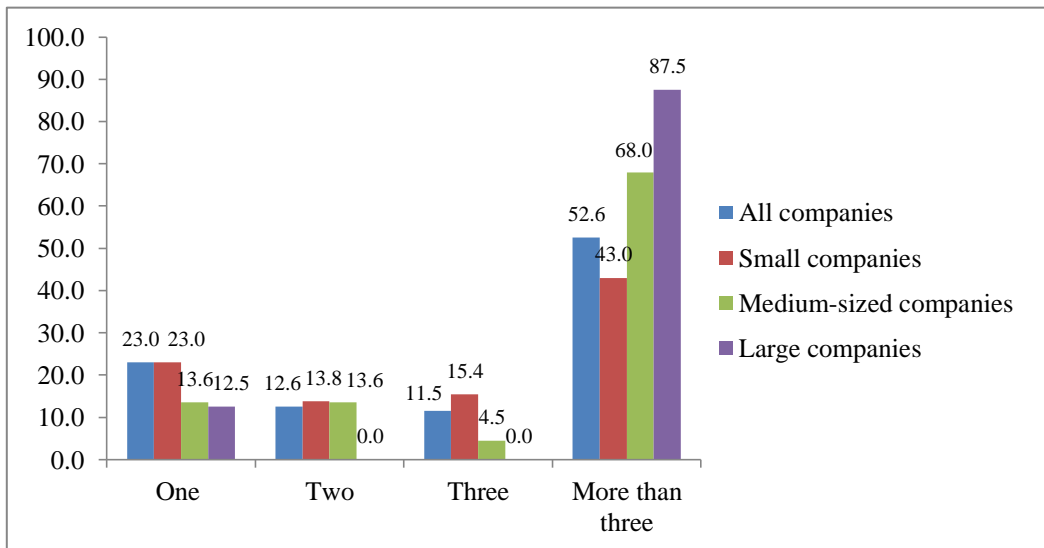
Testing of the second hypothesis has been performed based on the analysis of data pertaining to the level of internationalization of business activities of B&H companies (number of markets in which B&H companies operate, share of foreign markets in overall business activities and the profit gained in foreign markets).

Figure-2. Number of foreign markets in which the company performs business activities



Out of the total sample, 29% of the companies do not perform business activities in foreign markets at all, while 16% of them perform business activities in one market, 9% in two markets, 8% in three markets and 38% in more than three foreign markets. Based on these data (29% of the companies do not perform business activities in foreign markets, while 71% of them perform business activities in at least one foreign market), we cannot confirm the second hypothesis that the internationalization of B&H companies is at a low level. Further analysis takes into consideration the share of individual categories of companies in foreign markets.

Figure-3. Number of foreign markets in which the companies perform business activities, by percentage

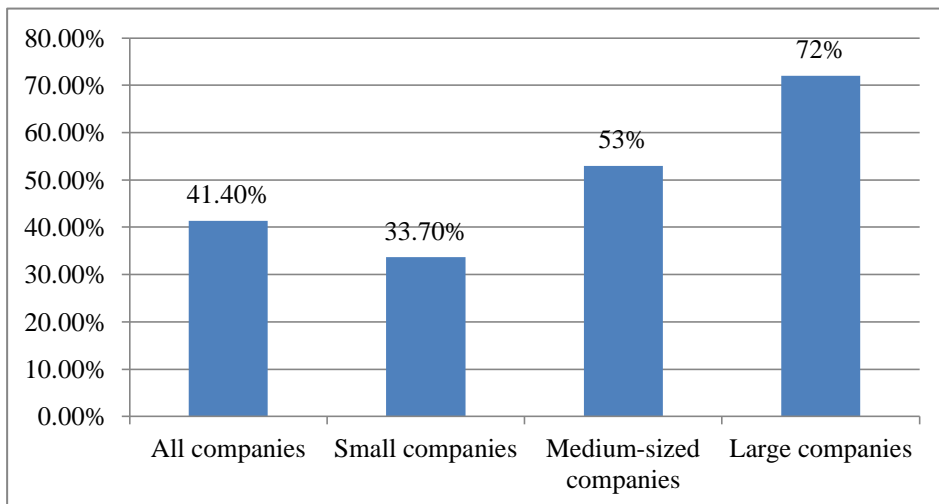


By analyzing the results (Figure 3), we can conclude that 23% of the companies operate in one market, 12.6% of them operate in two markets, 11.5% of them operate in three markets, while

majority of them – as many as 52.6% – perform their business activities in more than three foreign markets. These results lead to the conclusion that the level of internationalization of B&H companies is not negligible i.e. that it can be deemed substantial. Such results do not support the second hypothesis that the internationalization of B&H companies is at a low level. Apart from this, we can conclude that larger companies perform their business activities in more markets than the smaller companies. Thus, large companies perform as much as 87.5% of their business activities in more than three markets, medium-sized companies perform 68% of business activities in more than three markets, while 43% of small companies perform their business activities in more than three markets.

Figure 4 below displays data pertaining to the share of foreign markets in companies' business activities as compared to the overall scope of business activities.

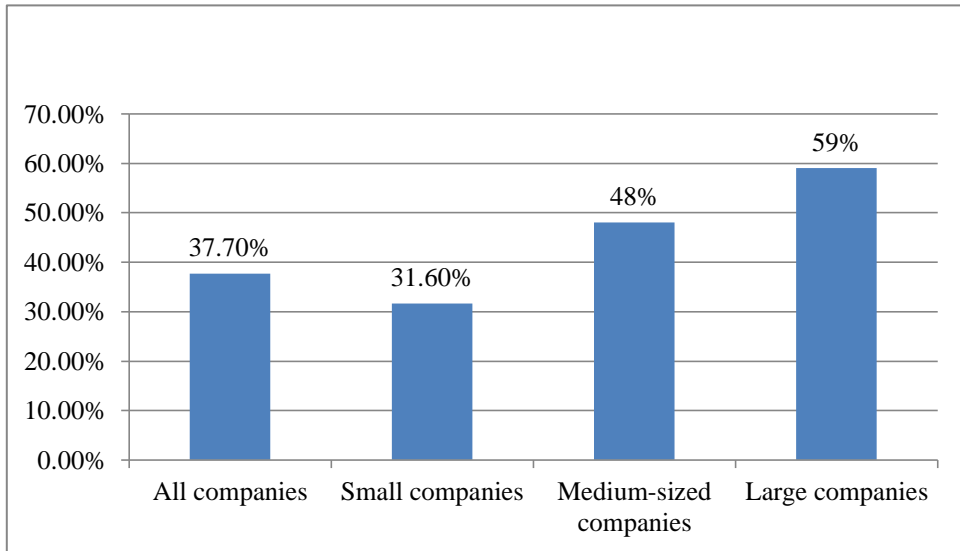
Figure-4. Share of foreign markets in companies' business activities



According to the results pertaining to the share of foreign markets in companies' business activities, when compared to the scope of overall business activities, we can conclude that, on average, B&H companies perform 41% of business activities in foreign markets. The findings relating to this parameter lead to the conclusion that the share of foreign markets in business activities of B&H companies is not negligible i.e. that it can be deemed substantial. These results do not support the second hypothesis that the internationalization of B&H companies is at a low level. Apart from this, based on the data pertaining to the average share of foreign markets in companies' business activities, we can conclude that larger companies perform greater number of business activities in foreign markets. Thus, large companies, on average, have 72% share of foreign markets in their business activities, medium-sized companies 53%, while small companies have 33.7% share of foreign markets in their business activities.

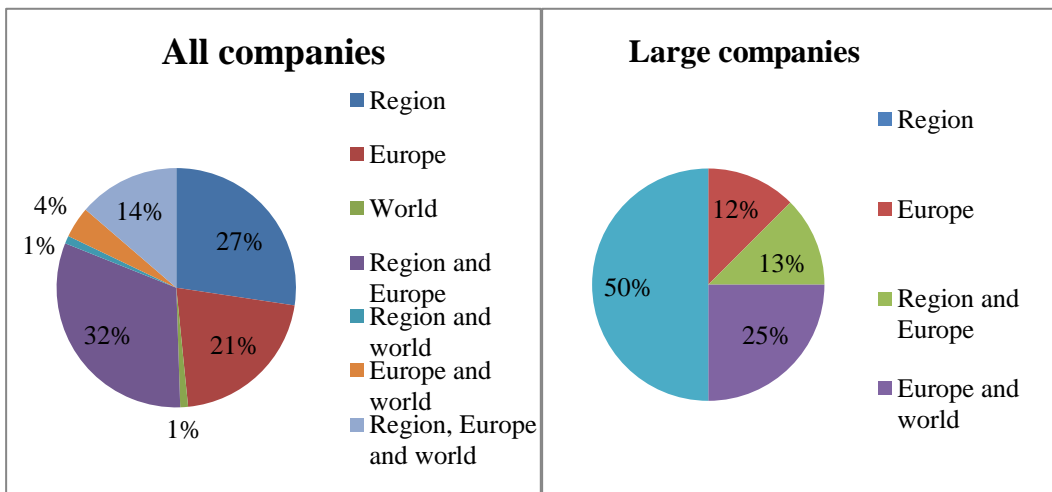
Figure 5 below displays data on average percentage of the profit gained by companies in foreign markets as compared to their total profit.

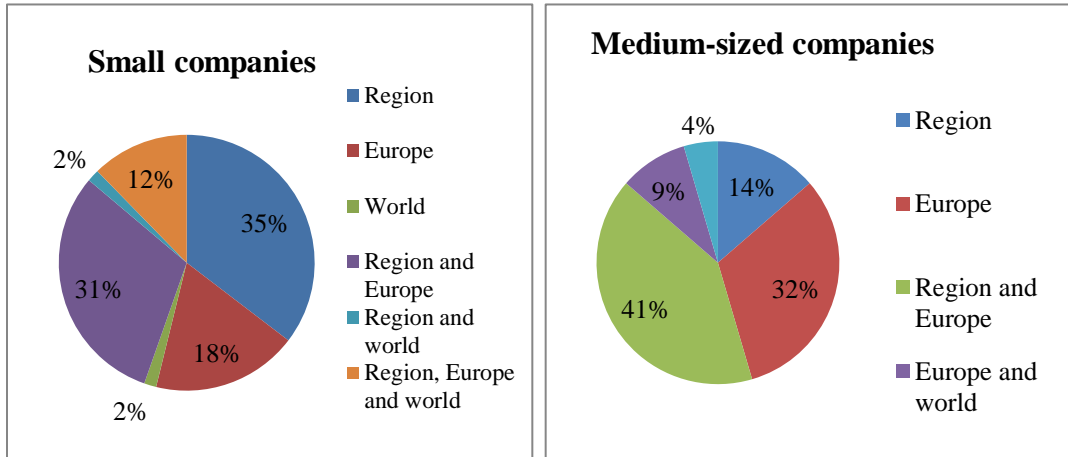
Figure-5. Percentage of profit gained in foreign markets



According to the results pertaining to the profit made by B&H companies in foreign markets, as compared to total profit gained, we can conclude that, on average, B&H companies gain 37.7% of their profit in foreign markets. The findings related to this parameter lead to the conclusion that the share of profit gained by B&H companies in foreign markets is not negligible i.e. that it can be deemed substantial. These results do not support the second hypothesis that the internationalization of B&H companies is at a low level. Apart from this, based on the data pertaining to the average profit made in foreign markets (Figure 5), we can conclude that larger companies make higher profit in foreign markets than smaller companies. Hence, on average, large companies gain 59% profit in foreign markets, medium-sized companies 48%, while small companies gain 31.6% profit in foreign market.

Figure-6. Market structure





Considering the data pertaining to the structure of markets (Figure 6) in which B&H companies perform their business activities, we can conclude that majority of B&H companies which perform their business activities in foreign markets do that in the countries of the region 27.4% and EU 21.1% (companies which export to these markets only). This percentage gets even higher when we take into consideration the data pertaining to business activities of the companies which, apart from doing business in these markets, perform business activities in other markets as well.

Based on the aforementioned data pertaining to the number of markets in which B&H companies perform their business activities, share of foreign markets in companies' overall business activities and profit gained in foreign markets, we have not confirmed the second hypothesis that the internationalization of B&H companies' business activities is at a low level.

5. CONCLUSION

This paper emphasizes the issue of globalization opportunities and their implications on business opportunities and competitiveness of companies in B&H. Empirical research findings show that B&H companies are principally involved in globalization processes and that - to a certain extent - they use globalization opportunities to enhance their competitiveness and perform business activities in foreign markets. In terms of the use of globalization opportunities to enhance competitiveness, it is evident that they are used with modest intensity by B&H companies; therefore, the results of empirical research imply that B&H companies also demonstrate a modest level of competitiveness. Furthermore, based on the research results for certain categories of companies, we can conclude that the size of the company determines the scope and intensity of use of globalization opportunities for the purpose of enhancement of their competitiveness. Hence, large companies have greater scope and intensity of use of these globalization opportunities than small and medium-sized companies, while medium-sized companies have greater scope and intensity of use of globalization opportunities than small companies.

Research results pertaining to the use of globalization opportunities in performing of business activities in the international market lead to the conclusion that there is a substantial (average) level of use of these opportunities by B&H companies. Apart from this, research results indicate that the size of the company determines the intensity of use of globalization opportunities in performing of business activities in the international market i.e. that larger companies use these opportunities at a higher intensity than the smaller companies. To support this claim, we present the research results according to which as many as 87.5% of large companies, 68% of medium-sized companies and 43% of small companies operate in more than 3 foreign markets. Also, foreign markets' share in the overall business activities of large companies is 72%, while it is 53% for medium-sized companies and 33.8% for small companies. On average, large companies make 59% of their profit in foreign markets, while medium-sized companies make 53% and small companies 31.6%.

A comprehensive analysis of the above presented data leads to the conclusion that globalization is more favorable to large companies than to medium-sized and small companies because they benefit more from globalization opportunities. Thus, large companies demonstrate a higher level of internationalization of business activities (wider scope of business activities and greater profit in the international market), and they use globalization opportunities for the purpose of enhancing their competitiveness at a greater scope and intensity.

In the applicative sense, the results of this research are particularly significant for the company managers in B&H, as well as in other transition countries, who should be prepared to do business under new global conditions. With regard to this, companies need to develop adequate strategies adapted to global challenges in order to use global opportunities with the aim of enhancing their competitiveness and achieve the greatest possible economic benefit from business operations in the international market.

Apart from this, the conclusions are also important for the government bodies in B&H in the process of economic decision-making and drafting strategies. Economic policy measures should be aimed at creating a favorable business environment and enhancing competitiveness of the local companies. In this context, special economic policy measures should be created for the sector of small and medium-sized companies, which, according to the results of the research, use globalization opportunities in performing business activities in the international market and for enhancement of their competitiveness to a lesser extent than large companies do. However, it can be concluded that this is a powerful sector with a substantial level of internationalization of business activities, which demonstrates significant potential for generating positive effects on B&H economy. Limited own capacities and inadequate support from the state determine the present level of their business activities and the ability to achieve greater economic benefit from increasing the scope of business activities in foreign markets and the EU market in particular.

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