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# STRATEGIC RESTRUCTURING AND BUSINESS FREEDOMS AND THEIR IMPACT ON THE FINANCIAL PERFORMANCE OF THE ECONOMY OF BOSNIA AND HERZEGOVINA

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**Abstract:** *Political events in 2022, the consequences of the COVID-19 coronavirus, bad management, inadequate restructuring, are just some of the causes of the crisis and poor business performance of many companies. The research results show that companies in the EU mostly use internal restructuring strategy (39.60%) and business expansion strategy (38.25%). Assessments of the area of application of restructuring strategies according to (EBRD) (The European Bank for Reconstruction and Development) show that Bosnia and Herzegovina has stagnated in terms of restructuring activities (Grades -2, up to 2) in the last 20 years. In addition to the partial approach of each company, we developed and modeled an integral approach and focused the work on measuring the impact of restructuring activities on the state and development of the economy of Bosnia and Herzegovina, where positive impact results were obtained (0.701081731). The aim of the paper is to point out the influence of strategic restructuring and economic freedoms on the development of the economy of Bosnia and Herzegovina. In the paper, based on statistical analysis, we tested the impact and evaluations of restructuring strategies of companies in Bosnia and Herzegovina compared to companies in the European Union. The results showed a statistically significant difference compared to companies from Western Europe, Central Europe and Eastern Europe.*

**Keywords:** *Strategic restructuring, business freedom, financial performance;*

**JEL classification:** *M20, M21, M29*

## INTRODUCTION

Strategic decisions imply long-term decisions related to the product portfolio and market mix. Operational decisions are short-term decisions focused on the op-

erational activities of the production process and the performance of daily activities. While administrative ones refer to the structuring of organizational resources in order to optimize them. The essence of strategic restructuring decisions is defining answers to important questions related to the product production process, service activities, market positioning and competitive struggle, introduction of new technologies, issues of human and other resources, long-term financing and others. The essence of strategic restructuring refers to observing the company as a whole, making decisions and taking actions related to the future. The process of strategic restructuring seeks to achieve the desired state and defined goals based on activities that involve changing the existing strategy and creating a new one. The essence of strategic restructuring implies creation adequate program of strategic restructuring. It contains defined most important strategic goals, strategic planning for the realization of those goals and implementation that should bring the organization to a state of growth, development and prosperity. All important strategic issues in restructuring are related to the most important and essential decisions about the company's operations.

The process of strategic restructuring has long-term tendencies on the company's operations and as such generates the interests of a large number of interest groups. Restructuring processes have a great impact on both internal and external stakeholders. Internal stakeholders are most directly connected with making strategic and operational decisions, creating strategies, as well as deciding and implementing work activities and tasks within the company. In addition to internal stakeholders, external stakeholders, customers and consumers, suppliers, creditors and other creditors, other financial institutions, external auditors and members of supervisory boards, competition, government (ministries, state bodies, agencies, administrations) and others. In order to successfully restructure a company, there must be a willingness to change and business freedom to implement those changes. In this regard, we also tested the impact of business freedoms on the process of company restructuring and the development of the economy of Bosnia and Herzegovina. A strategic approach and a strategic way of thinking connects a series of activities of managing and leading the company towards getting out of the crisis or towards growth and development.

Strategic restructuring processes arise as a logical consequence when the company's vital interests are threatened. Restructuring had a significant impact on shifting the boundaries of corporate governance in the crisis. In the past, strategic restructuring processes were led by the companies themselves and their management, but today companies often outsource and hire external experts who guide the company through this process. The subject of research belongs to the field of strategic restructuring. The concept of the research problem refers to the question, which restructuring strategies are used by companies in Bosnia and Herzegovina, and which in Europe? What is the significance and impact of company restructuring on the economic development of Bosnia and Herzegovina? The concept of restructuring includes major strategic changes in the business model, production and business portfolio, as well as a change in the previous way of doing business. A strategic approach to company restructuring processes greatly improves the results of economic development. In the research-methodological part of the analysis, statistical analysis, proportion assessment based on large samples, comparative analysis methods, as well as regression and correlation analysis methods were used. The research used data on company restructuring strategies from

the European Center for Monitoring Changes (EMCC) (with the European Commission and the European Parliament through the Eurofund.

## **A REVIEW OF LITERATURE THROUGH PREVIOUS RESEARCH**

Many successful companies found themselves in crisis because they did not recognize the early signals and symptoms of the crisis in time, as well as the logical consequences and dangers that the crisis brings with it. The period of incubation of the crisis and the smoldering of the crisis hotspot begins long before the real problems begin. In modern companies, top management and mid-level management, together with planning, make business forecasts side by side. Once upon a time during socialism, these activities of the company's were realized within the plan and analysis department. Causes determine many elements of crisis management (Šamu & Hunjet, 2020). It seems that their intensity changes during the crisis and (Šamu & Hunjet, 2020) that there is a subordination of the types and intensity of the causes of the company's crisis. Looking at the history of business, we can say that there is almost no well-known company from the Fortune Global 500 list that has not faced a crisis. The focus of the work is on the analysis of experiences, assessments and restructuring strategies used by well-known global companies.

Processes of strategic restructuring arise as a logical sequence of events, when the interests of key stakeholders, as well as the main business goals of the company, are threatened. Today, company management is often unable to successfully lead the company through the restructuring process, but hires consulting firms and experts for restructuring. Nordhaus and Boyer (Nordhaus & Boyer, 2000) made a great contribution to the analysis of the impact of corporate restructuring trends on the growth and development of the economy. According to research results, countries in which companies are successfully restructured and there are business freedoms achieve positive growth rates (Nordhaus & Boyer, 2000). Business freedoms include business decision-making on new companies, as well as decisions related to the environment that affect the company's operations. We can say that strategic management occupies the central place in the process of strategic restructuring. On that line of thinking, the essence of strategic restructuring implies changes in the existing business portfolio, the way of doing business or the business that the company deals with. Therefore, strategic restructuring implies changes along the horizontal line of all business functions, from organizational, ownership, human resources management, financial and others.

The macro aspect of restructuring implies a broader approach to the analysis of key parameters of company restructuring (Buyck, 2007). Strategic restructuring has a positive effect on the financial stability of the company and the improvement of business performance (Stiglitz, 1990). The first step in the process of successful strategic restructuring of a company is an in-depth analysis. Strategic restructuring often occurs as a result of a crisis and the threat to the company's vital interests (Tirole, 2006). In the process of company restructuring, the aspect of innovation, the introduction of new positive changes and innovations in the production and business portfolio is particularly important (Nordhaus W., 2007) (Nordhaus W., 1969) (Romer, 1990). Also, strategic restructuring is very important for company management processes in crisis situations. For the successful management of a company through the restructuring process, it is

very important that the company has a solid and stable management (Milisavljević & Todorović, 1991).

In addition to the analysis of real problems and business forecasting, business planning is also very important as an integral part of the company's strategic restructuring platform. The application of the integral planning model in numerous countries has brought great benefits in development (Radovanović, Grandov, & Filijović, 2019). As a consequence, these processes are connected with the planned economy, processes of privatization and transition. It is important to point out that maximum cooperation in restructuring processes is extremely important in times of crisis (Ouksel & Vyhmeister, 2000). All over the world, the processes of company restructuring, transformation of their ownership and change of strategies in crisis situations are current. An organization that does not change and adapt cannot survive for long in a world of constant change. The problem arises if the restructuring does not happen at the right time or if it is not implemented in an adequate way. In addition to the importance for the company itself, its employees, owners, managers, suppliers, customers and other stakeholders, restructuring is also of great importance from the point of view of society, the state and the entire economy. It is very important to recognize the early signals of a crisis, in order to be able to manage well in times of crisis (Pearson & Clair, 1998), which is why it is very important to manage in accordance with the recommendations of risk management (Gabele, 1981). In addition to the above, strategic thinking and readiness for change are of crucial importance in the process of strategic restructuring (Angel, 1994). Which strategies are best in times of company crisis, and which are best in times of growth and development, depends on a large number of factors, such as the causes and symptoms of the crisis, the needs, the position of the company, as well as the goals of the company's strategic restructuring. Also, facing the risks of unexpected events influences top managers to make strategic decisions about restructuring (Agarwal, 2015), where strategic planning serves to prevent crises and negative consequences of wrong managerial decisions (Kyhn, 2008).

In addition to important issues and managerial decisions, decisions of a financial nature (financial management and funding sources), as well as product quality decisions, procurement policies, supplier policies, investment policies, business freedoms, and more are very important (Radovanović, Grandov, & Filijović, 2019). Major global economic changes affected the essence of economic processes in a large number of companies, initiated restructuring processes in those companies, as well as the position on the international market (Krugman, 1993). Professor Kotter in his article "Leading Change" (Kotter, 1995) confirms how important changes and willingness to change are in the life cycle of a company. These changes are mainly related to the volume of sales and the market, profitability, economy and profitability, productivity, efficiency, and effectiveness, defining and achieving goals, as well as product quality, better design, responsibility of employees and managers, the role of technology in the concept of change, and more (Weston, Mitchel, & Mulherin, 2003). Depending on the company's position on the market, current strategy and structure, there are several company restructuring strategies, such as internal restructuring strategy, merger/acquisition strategies, offshoring/delocalization strategies, outsourcing strategy, relocation strategy, bankruptcy/closure strategy and business expansion strategy.

Restructuring strategies lead to the effects of economic growth and development (Djankov & Murrell, 2002). On the other hand, it is important to point out that strategic decision-making and management is a very important segment of strategic restructuring. In addition to the impact on the growth and development of companies and the economy in general, some strategic restructuring options are exclusively related to company crises. They are related to two types of management of a company in crisis. And these are strategies of reactive management of a company in crisis and strategies of active management of a company in crisis. For the application of the aforementioned strategies, it is of great importance to recognize the real causes and symptoms of the crisis (Grosfeld & Roland, 1997). In general, a strategic approach and a strategic way of thinking contribute to a more efficient and effective achievement of the key goals of company restructuring (Kotter & Cohen, 2002) (Donaldson, 2010).

### METHODOLOGY RESEARCH AND SAMPLING

The research methodology was conceived in two segments. In the first segment, the state of affairs in the field of strategic restructuring in the EU was investigated, through the application of certain enterprise restructuring strategies. The second part of the research is related to hypothesis H2 and the situation in Bosnia and Herzegovina. The research segmentation covered 28,282 companies from European countries in the period from January 1, 2001. until June 30, 2002. The subject of the research relates to the role of strategic management in the process of enterprise restructuring. In this connection, research hypotheses emerge:

**Hypothesis - H1a:** Companies in the EU in the process of company restructuring mostly use internal restructuring strategies.

In order to test the research hypothesis, the research included 28,282 EU companies. The results of the research will show which restructuring strategies are most used by companies in the EU. In order to test the state and impact of the implementation of restructuring strategies in the companies of Bosnia and Herzegovina, we performed an analysis and research of evaluations in the field of company restructuring in the period from 1999 to 2020, with the fact that in the period from 2015 to 2020 carried out a grade projection, given that the indicators of the methodology and calculation of grades did not change significantly during that period. Data from the European Bank for Reconstruction and Development (EBRD) show that results and evaluations in the field of company restructuring in Bosnia and Herzegovina have not changed significantly in the last twenty years. The following table shows the results of evaluations in the area of restructuring in the period from 1999 to 2014.

**Table 1.** Values of the EBRD assessment coefficient on progress in restructuring strategy

Estimates of enterprise restructuring strategy																
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Albania	2,0	2,3	2,3	2,3	2,3	2,3	2,3	2,3	2,3	2,0	2,0	2,0	2,0	2,0	2,0	2,0
Armenia	2,0	2,3	2,3	2,3	2,3	2,3	2,3	2,3	2,3	2,3	2,3	2,3	2,0	2,0	2,0	2,0
Azerbaijan	2,0	2,0	2,0	2,0	2,0	2,0	2,0	2,0	2,0	2,3	2,3	2,3	2,0	2,0	2,0	2,0

Belarus	2,0	1,7	1,7	1,7	1,7	1,7	1,7	1,7	1,0	1,0	1,0	1,0	1,0	1,0	1,0	1,0
Bosnia and Herzegovina	2,0	2,0	2,0	2,0	2,0	2,0	2,0	2,0	2,0	2,0	2,0	2,0	2,0	-2,0	-2,0	-2,0
Bulgaria	3,0	2,7	2,7	2,7	2,7	2,7	2,7	2,7	2,7	2,7	2,7	2,7	2,0	2,0	2,0	2,0
Croatia	3,0	3,3	3,3	3,3	3,0	3,0	3,0	3,0	3,0	3,0	3,0	2,7	-3,0	-3,0	-3,0	-3,0
Estonia	4,0	3,7	3,7	3,7	3,7	3,7	3,7	3,7	3,7	3,7	3,3	3,3	3,0	3,0	3,0	3,0
Macedonia	3,0	2,7	2,7	2,7	2,7	2,7	2,7	2,7	2,7	2,3	2,3	2,3	2,0	2,0	2,0	2,0
Georgia	2,0	2,3	2,3	2,3	2,3	2,3	2,3	2,3	2,3	2,3	2,0	2,0	2,0	2,0	2,0	2,0
Hungary	4,0	3,7	3,7	3,7	3,7	3,7	3,7	3,7	3,7	3,7	3,3	3,3	3,0	3,0	3,0	3,0
Kazakhstan	2,0	2,0	2,0	2,0	2,0	2,0	2,0	2,0	2,0	2,0	2,0	2,0	2,0	2,0	2,0	2,0
Kyrgyzstan	2,0	2,0	2,0	2,0	2,0	2,0	2,0	2,0	2,0	2,0	2,0	2,0	2,0	2,0	2,0	2,0
Latvia	3,0	3,3	3,3	3,0	3,0	3,0	3,0	3,0	3,0	3,0	3,0	3,0	-3,0	-3,0	-3,0	-3,0
Lithuania	3,0	3,0	3,0	3,0	3,0	3,0	3,0	3,0	3,0	3,0	3,0	3,0	3,0	-3,0	-3,0	-3,0
Moldova	2,0	2,0	2,0	2,0	2,0	2,0	2,0	2,0	2,0	2,0	1,7	1,7	2,0	2,0	2,0	2,0
Mongolia	2,0	2,0	2,0	2,0	2,0	2,0	2,0	2,0	2,0	-	-	-	-	-	-	-
Montenegro	2,0	2,3	2,3	2,3	2,0	2,0	2,0	2,0	2,0	-	-	-	-	-	-	-
Poland	4,0	3,7	3,7	3,7	3,7	3,7	3,7	3,7	3,7	3,7	3,3	3,3	3,0	3,0	3,0	3,0
Romania	3,0	2,7	2,7	2,7	2,7	2,7	2,7	2,7	2,7	2,3	2,0	2,0	2,0	2,0	2,0	2,0
Russia	2,0	2,3	2,3	2,3	2,3	2,3	2,3	2,3	2,3	2,3	2,3	2,3	2,0	2,0	2,0	-2,0
Serbia	2,0	2,3	2,3	2,3	2,3	2,3	2,3	2,3	2,3	2,3	2,0	2,0	-	-	-	-
Slovakia	4,0	3,7	3,7	3,7	3,7	3,7	3,7	3,7	3,7	3,7	3,0	3,0	3,0	3,0	3,0	3,0
Slovenia	3,0	3,0	3,0	3,0	3,0	3,0	3,0	3,0	3,0	3,0	3,0	3,0	3,0	-3,0	-3,0	-3,0
Tajikistan	2,0	2,0	2,0	2,0	2,0	2,3	1,7	1,7	1,7	1,7	1,7	1,7	1,7	-2,0	-2,0	-2,0
Turkey	3,0	2,7	2,7	2,7	2,7	2,7	-	-	-	-	-	-	-	-	-	-
Turkmenistan	1,0	1,0	1,0	1,0	1,0	1,0	1,0	1,0	1,0	1,0	1,0	1,0	1,0	1,0	1,0	-2,0
Ukraine	2,0	2,3	2,3	2,3	2,3	2,3	2,0	2,0	2,0	2,0	2,0	2,0	2,0	2,0	2,0	2,0
Uzbekistan	2,0	1,7	1,7	1,7	1,7	1,7	1,7	1,7	1,7	1,7	1,7	1,7	-2,0	-2,0	-2,0	2,0
Egypt	2,0	2,0	2,0	-	-	-	-	-	-	-	-	-	-	-	-	-
Jordan	2,0	2,3	2,3	-	-	-	-	-	-	-	-	-	-	-	-	-
Morocco	2,0	2,3	2,3	-	-	-	-	-	-	-	-	-	-	-	-	-
Tunisia	2,0	2,0	1,7	-	-	-	-	-	-	-	-	-	-	-	-	-
Czech Republic	-	-	-	-	-	-	-	-	3,3	3,3	3,3	3,3	3,3	3,0	3,0	3,0

**Source:** (Author's research - (Report EBRD - European Bank for Reconstruction and Development, 1999-2014))

The previous data are the basis for the second research hypothesis of the work, which is given below, and refers to the situation in Bosnia and Herzegovina. In the following, we investigated the impact of business freedoms on the company restructuring process, as well as their mutual impact on the development of the economy of Bosnia and Herzegovina, measured by GDP.

**Hypothesis - H2a:** Company restructuring and business freedom have a positive effect on the financial performance of the economy of Bosnia and Herzegovina.

The goal of the research was to look at international practice and experience in order to create a strategic model of company restructuring in Bosnia and Herzegovina. Also, the goal was to perform modeling depending on the situation in Bosnia and Herzegovina.

**Formula 1.** Econometric regression and correlation model

$$Y = a + bX_1 + cX_2$$

**Source:** (Žižić, Lovrić, & Pavličić, 2000)

Y - dependent variable, which is explained or predicted (GDP- Bosnia and Herzegovina)

X<sub>1</sub> - independent variable (Assessment of restructuring strategy),

X<sub>2</sub>- business freedom

**Formula 2.** Econometric regression and correlation model

$$Y = \beta_0 + \beta_1 X_1 + \dots + \beta_p X_p + \sigma(Y), \text{sd}(Y) = \sigma \text{ (independent of X's)}$$

**Source:** (Žižić, Lovrić, & Pavličić, 2000)

The model parameters  $\beta_0 + \beta_1 + \dots + \beta_p$  and  $\sigma$  must be estimated from data.

$\beta_0$  = intercept

$\beta_1 \dots \beta_p$  = regression coefficients

$\sigma = \sigma_{\text{res}}$  = residual standard deviation

$\beta_1$  equals the mean increase in Y per unit increase in X<sub>i</sub>, while other X<sub>i</sub>'s are kept fixed. In other words  $\beta_i$  is influence of X<sub>i</sub> corrected (adjusted) for the other X's. The estimation method follows the least squares criterion.

**Formula 3.** The partial correlation coefficient is given in the following form

$$R^2_{Y/X_1X_2} = \frac{r^2_{x_1y} + r^2_{x_2y} - 2r_{x_1y}r_{x_2y}r_{x_1x_2}}{1 - r^2_{x_1x_2}}$$

**Source:** (Žižić, Lovrić, & Pavličić, 2000)

**Formula 4.** The partial correlation coefficient

$$r_{yx_1 \cdot x_2} = \frac{r_{yx_1} - r_{yx_2} \cdot r_{x_1 x_2}}{\sqrt{1 - r_{yx_2}^2} \sqrt{1 - r_{x_1 x_2}^2}}$$

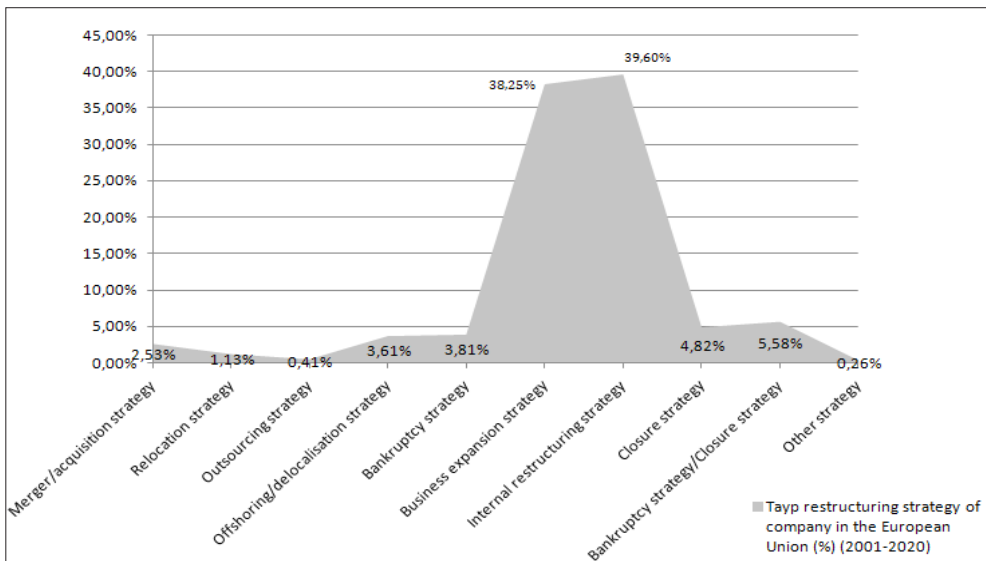
**Source:** (Žižić, Lovrić, & Pavličić, 2000)

Based on the previous econometric methodology, we conducted research.

## RESULTS OF RESEARCH, DISCUSSION AND COMPARISON

On the basis of the implemented research concept and the application of the methodology, the results presented below were obtained. The results of the research were used to test the research hypotheses, which contribute to the modeling of the concept structural model of the impact of restructuring strategy and business freedom on the development of the economy of Bosnia and Herzegovina. The results of the research showed the great importance of the concept of strategic restructuring and the business freedoms associated with it on the development of the economy of Bosnia and Herzegovina. In the following, we tested **Hypothesis - H1a**. The following is data on the types of restructuring strategies in the period 2001-2020.

**Graph 1.** Types of enterprise restructuring strategy in the European Union (%) (2001-2020)



**Source:** (Author's research and (Preveden, Dojčinović, & Jeličić, 2012))

The previous analysis shows that in the period of the last twenty years in Europe, the largest number of companies used internal restructuring strategies (39.60%). The next restructuring strategy used by European companies is business expansion strategy (38.25%). Based on the previous research results, we can confirm the first research hypothesis of the work, Hypothesis - H1a: Companies in the EU in the process



of company restructuring, mostly use internal restructuring strategies.

In the following, we tested the second research hypothesis of the work, based on a multiple regression model (*Pearson Correlation*), which aims to show the impact of strategic restructuring and related business freedoms on the development of the economy of Bosnia and Herzegovina in the last 22 years (1998-2020). To that end, we conducted research and testing of econometric variables.

**Table 2.** Testing the impact of company restructuring strategy and business freedom on the development of the economy of Bosnia and Herzegovina

	<b>Restructuring strategy</b>	<b>Business freedom</b>	<b>GDP (million \$)</b>
Observations	22	22	22
Mean	1,0000	14.494.436.849,9282	14.494.436.849,9282
Stdevp	1,4771	5.160.506.482,7195	5.160.506.482,7195
Variance	2,1818	26.630.827.158.190.400.000,0000	26.630.827.158.190.400.000,0000
Coefficient of variation	1,4771	0,3560	0,3560
Median	2,0000	17.045.056.015,3672	17.045.056.015,3672
Max	2,0000	20.183.510.561,2600	20.183.510.561,2600
Min	-2,0000	4.685.733.115,4684	4.685.733.115,4684
Coefficient of determination-one	0,390137784		
Coefficient of determination-two		0,491515594	
Coefficient of determination-three			0,572465343
Pearson Correlation-one	0,624610106		
Pearson Correlation-two		0,701081731	
Pearson Correlation-three			0,756614395
(1- $\alpha$ )	0,95	0,95	0,95
$\alpha$	0,05	0,05	0,05

**Source:** (Authors Research)

The research results show a positive correlational impact of strategic restructuring (0.572465343) (significant impact) and related business freedoms (0.491515594) on the economic development of Bosnia and Herzegovina. Based on previous research results, we can confirm the second research hypothesis of the work, Hypothesis - H2a:

Company restructuring and business freedom have a positive effect on the financial performance of the economy of Bosnia and Herzegovina. The partial integration coefficient is (0.572325729), which also confirms the previous hypothesis of the article.

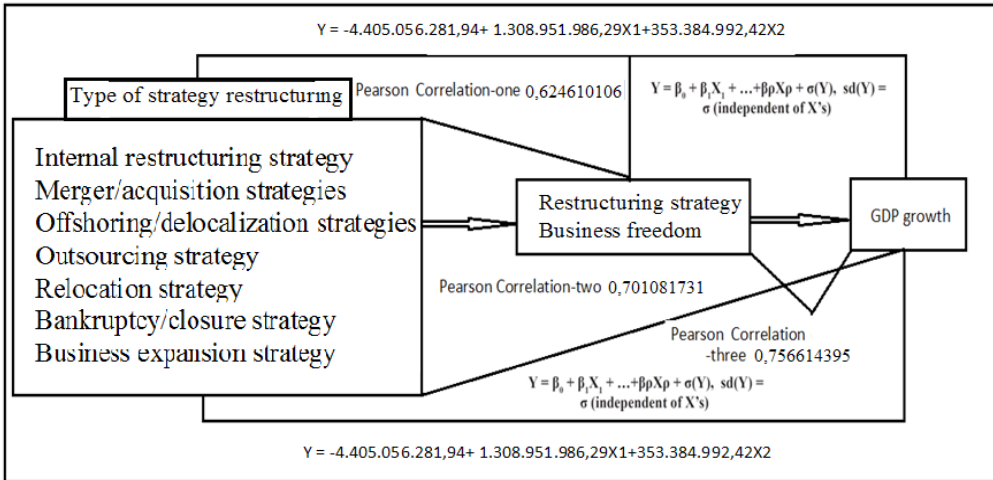
In the following, the Structural Model of the impact of restructuring strategy and business freedom on the development of the economy of Bosnia and Herzegovina, as well as the values of the econometric parameters in the econometric model, are presented in econometric terms. Based on previous econometric research, we get:

**Formula 5.** Structural Model of the impact of restructuring strategy and business freedom on the development of the economy of Bosnia and Herzegovina

$$Y = -4.405.056.281,94+ 1.308.951.986,29X1+353.384.992,42X2$$

**Source:** (Authors Research)

**Graph 2.** Structural model of the impact of restructuring strategy and business freedom on the development of the economy of Bosnia and Herzegovina



**Source:** (Authors Research)

The modeled structural concept represents the basis for adjusting and managing the process of strategic restructuring of companies in Bosnia and Herzegovina. Also, the results of the research show that, viewed from the point of view of evaluations in the field of company restructuring, we are significantly behind the developed countries of the EU.

**CONCLUSION AND IMPLICATIONS**

The role of strategic restructuring and business freedoms in the implementation of the process of strategic restructuring are important factors for the success of companies and the economy in general today. Certainly, in order to carry out a successful process of strategic restructuring, economic freedoms are necessary, as an important factor, as well as their mutual influence. Quality business decisions generate better business results of the company, which affects the development of the country's econ-

omy. Strategic restructuring is an important concept that companies apply from time to time when they feel the need to improve their business processes and production business portfolio. Of course, those results also depend on the factors of the market portfolio and competitiveness on the other hand. The process of strategic restructuring seeks to achieve the desired state and defined goals based on activities that involve changing the existing strategy and creating a new one. A condition of strategic restructuring is adaptation to changes. Constant changes happen every day and are an integral part of the daily life of all companies. They are connected with the need for constant review of the strategy and the need for strategic restructuring. The rates of change in many business segments are growing, the importance of adapting and stabilizing business as a response to new challenges is growing. They are generated by globalization, transition processes and changes in the spheres of society, politics, migration movements, economy, science, technology, demography and others. Also, the level of international competition on the global market is increasing. The EU also has a significant influence, especially in countries in transition, through its project financing programs, legal regulations, various lobbying aimed at adapting domestic regulations and rules to EU rules and more. It is important to point out the establishment of foreign companies that bring not only fresh capital and business trends, but also business culture, management methods and new appearance on the market. We can say that the growth of competition represents one of the most significant reasons, if not the most significant, why the concept of strategic restructuring has become so important for modern organizations. Business freedoms, which include the freedom to manage the company, the freedom to invest, the freedom to make market and competitive decisions, certainly represent important segments and conditions of strategic decision-making.

In the conditions of the consequences of the coronavirus pandemic COVID 19 and the unstable political situation, the need for changes in the company is more pronounced than ever. Strategic restructuring is imposed as a necessity and a solution to many problems in business operations in such unstable circumstances in the environment. Various entities participate in the process of strategic restructuring. A large number of entities that directly or indirectly affect the business results of the company are involved in the company's operations. Also, certain institutions create an environment for strategic restructuring, and participate in the implementation of those processes. On that line of thinking, the essence of strategic restructuring implies changes in the existing business portfolio, the way of doing business or the business that the company deals with. Therefore, strategic restructuring implies changes along the horizontal line of all business functions, from organizational, ownership, human resources management, financial and others. The results of the research showed a strong correlational influence of strategic restructuring and business freedoms on the development of companies, and thus on the economy of Bosnia and Herzegovina. In the decision-making process, business freedom and willingness to change are the first conditions for strategic restructuring.

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