
Hidden Champions of Bosnia and Herzegovina

Nenad Brkić and Denis Berberović

Overview

Official name: Bosnia and Herzegovina
Type of government: Parliamentary Democracy
Population in 2011: 3,752,228
Land area: 51,000 km²

History

- 1918 Bosnia and Herzegovina joins the Kingdom of Serbs, Croats and Slovenes.
- 1929 The kingdom becomes known as Kingdom of Yugoslavia.
- 1941 Bosnia and Herzegovina becomes a part of the Independent State of Croatia, a country supportive to Hitler with a fascist puppet government.
- 1945 After a bitter resistance campaign by partisans under Tito, Bosnia and Herzegovina becomes one of the six constituent republics of the Socialist Federative Republic of Yugoslavia.
- 1980 Tito dies. The slow disintegration of Yugoslavia begins as individual republics assert their desire for independence.
- 1992 (March) Bosnia and Herzegovina declares its independence from Yugoslavia. 2 months later, Yugoslav aggression on Bosnia and Herzegovina starts. The term “ethnic cleansing” becomes known worldwide as Bosnian Serbs begin to oust non-Serbs from parts of Bosnia and Herzegovina. This is done with political, financial, military and human

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- support from Serbia and Montenegro. The aggression is finalized by the genocide of Bosnian Muslims in Srebrenica.
- 1995 The war ends, leaving a devastated country. Bosnia and Herzegovina suffered the greatest human and material casualties in the Balkan wars.
- 2002 Bosnia and Herzegovina becomes a member of the Council of Europe.
- 2008 Bosnia and Herzegovina signs the Stability and Accession Agreement with the EU.
- 2009 Bosnia and Herzegovina enters a visa-free regime with the EU.

1 Introduction: Context

Bosnia and Herzegovina (B&H) is situated in Southeastern Europe, on the western side of the Balkan Peninsula. It was a member state of Yugoslavia until it gained independence in 1992.

Yugoslavia was established in 1929, as a kingdom of Croats, Serbs and Slovenes. It was the fulfilment of a centuries-old dream of uniting Slavic nations in Southern Europe.¹ The idea had its promoters not only in all Slavic nations in the Balkans, but also in major European political circles. In 1945 the kingdom was abolished, and after certain territorial changes, the communist state of Yugoslavia was created.

The kingdom of Yugoslavia encompassed B&H, although the latter's politicians did not have any political impact in the country. B&H had already had a long experience being ruled from outside. After four centuries of Ottoman rule, the country was taken over by the Austrian Crown for almost 60 years.

Prior to the Second World War, B&H was an agricultural country with only a few attempts by the Austrian rulers to industrialize it. Industrialization came with the communist rule. The communists further introduced a planned economy, which means that each member-state economy was given a distinct role. As B&H is rich in resources, the country served mainly as a resource base to most other states in Yugoslavia (Serbia, Slovenia, and Croatia). Resources were mainly exported to other member countries; and in exchange, final products were exported from them back to B&H.

Another characteristic of Bosnia's economy has been its orientation towards the military industry. Because B&H is mainly mountainous and in the central part of former Yugoslavia, the communist government situated all its military factories in barely reachable territory. Because of this, and the fact that B&H had never really managed its own economy, advanced industries did not get an opportunity to develop.

The size of the country is 51,000 km². According to latest estimates, the country is inhabited by 3,752 million people. B&H is politically decentralized, with two

¹ The name Yugoslavia means "State of South Slaves" in the Slavic languages.

Exhibit 1 Core economic indicators

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
GDP per capita (current US\$)	1,301.07	1,490.64	1,533.73	1,761.50	2,212.70	2,650.59	2,895.54	3,279.07	4,043.52	4,913.22	4,534.06	4,427.35	4,820.67
GDP per capita growth (annual %)	5.91	2.86	2.88	4.53	3.81	6.14	5.01	6.18	6.91	5.56	-2.74	1.00	1.93
Long-term unemployment (% of total unemployment)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Foreign direct investment, net inflows (% of GDP)	3.77	2.65	2.06	4.03	4.56	7.08	5.70	6.82	11.81	5.42	0.81	1.98	2.10
GDP (current \$US mil)	4,685.73	4,685.73	4,685.73	4,685.73	4,685.73	4,685.73	4,685.73	4,685.73	4,685.73	4,685.73	4,685.73	4,685.73	4,685.73
Exports of goods and services (current US\$ mil)	1,295.32	1,579.69	1,632.28	1,619.40	2,535.23	3,231.70	3,519.20	3,519.20	3,519.20	3,519.20	3,519.20	3,519.20	3,519.20
Exports of goods and services (% of GDP)	27.64	28.69	28.39	24.35	30.29	32.24	32.14	36.66	43.33	41.06	31.67	35.78	42.28
Merchandise exports (current \$US mil)	751.00	1,069.00	1,032.00	1,005.29	1,340.00	1,792.67	2,400.00	3,323.00	4,151.97	5,021.08	3,953.92	4,803.11	5,850.62
Merchandise exports to high-income economies (% of total merchandise exports)	91.72	90.28	94.78	94.93	96.78	94.24	90.73	90.38	93.31	93.30	92.27	90.34	n/a
Merchandise exports to developing economies in Europe & Central Asia (% of total merchandise exports)	5.55	6.57	2.94	2.60	2.11	4.28	4.31	5.18	4.75	5.30	5.81	6.51	n/a
Ores and metals exports (% of merchandise exports)	n/a	n/a	n/a	n/a	14.14	13.02	17.85	16.64	15.31	12.91	9.49	12.23	12.89

(continued)

Exhibit 1 (continued)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Agricultural raw materials exports (% of merchandise exports)	n/a	n/a	n/a	n/a	9.97	11.55	9.76	8.31	8.17	6.81	6.15	5.89	6.17
Food exports (% of merchandise exports)	n/a	n/a	n/a	n/a	3.55	4.38	5.77	4.93	5.39	5.97	7.69	7.32	6.81
Fuel exports (% of merchandise exports)	n/a	n/a	n/a	n/a	4.48	7.80	8.77	8.03	7.73	9.65	13.11	14.96	13.83
Manufacturing exports (% of merchandise exports)	n/a	n/a	n/a	n/a	41.19	47.19	57.56	62.06	63.32	64.00	60.74	56.98	57.72
High-technology exports (% of manufactured exports)	n/a	n/a	n/a	n/a	1.76	1.88	2.04	2.17	2.14	4.14	3.28	2.58	n/a

Source: World Bank (2013)

entities and one district. One of the entities is further decentralized into ten cantons. In spite of the 2009 world recession, the country's export figures of B&H have been steadily rising, doubling from 2003 to 2010. Analyses reveal that an average Bosnian company exports much more than an average Albanian company (Agency for Statistics of Bosnia and Herzegovina 2011). Major economic indicators are shown in Exhibit 1.

Today, Bosnia's economy is struggling with major issues such as recovery from the war, transition from planned to market economy, corruption, and an ineffective legal system.

After years of expansion and relatively high growth rates, B&H experienced economic contraction due to the 2009 world recession. The economy has not recovered since. The consumption drop caused a decrease in employment rates, which led to further erosion of consumption. Fiscal prudence did not allow a high debt rise. A significant increase in exports and a decrease in imports helped to lower the current account deficit and the GDP rate decrease. The economy of B&H has a high degree of openness, placing the country in a group of small open economies. B&H is struggling with low competitiveness and attractiveness to foreign investments, which are seen together as a major growth generator, since domestic investments are rare. Cuts to high public spending and increased domestic investment may be additional stimuli for economic growth, but this is not likely to happen before a constitutional, i.e. organizational, change of the state. Currently, B&H is trying to recover by stimulating the increase of exports. Credit for the business sector has expanded due to a drop in interest rates. However, this has not had a significant impact on investments (Central Bank of Bosnia and Herzegovina 2011a).

Constitutional rearrangement and attempts to deal with other issues—demographic (population decrease) or ecological—are on hold due to the lack of political will to make the state more efficient. After the elections in 2010 the new government is expected to solve the strategic problems that the country faces. B&H's EU accession is expected to accelerate only when these political issues are settled (Central Bank of Bosnia and Herzegovina 2011b).

Up to this point, there has been no research on Hidden Champions (HCs) in B&H. The following section includes five studies of HCs situated in different regions of the country, mostly in rural areas. Some of them are regional leaders and some are start-up companies with an emerging competitive advantage (Exhibit 2).

Exhibit 2 Hidden champions from Bosnia and Herzegovina

Name	Short market leadership description	Revenues 2010 (€m)	Revenues 2000 (€m)	Employees 2010
Plastex	Flexible packaging, klip-klap, region, corporate clients	1.6	0.77	45
Lumen	Candles, regional, corporate, and individual clients	4	1.5	51
Alma Ras	Underwear, regional, corporate, and individual clients	5.5	0.3	430
Feal	Leader in aluminium production and processing in South-Eastern Europe	65	10	450
IM Group	Bluetooth device, global corporate clients	n/a	n/a	12

Source: Authors of the chapter

2 Five Case Studies

2.1 Plastex Ltd.

Overview

Address: Gračaničkih gazija bb, 75320 Gračanica, Bosnia and Herzegovina
 Tel: +387 (0)35704890
 Email: plastex@plastex.ba
 Web: <http://www.plastex.ba>

Company Information

Industry:	Production, trade and services of flexible packaging
Year of establishment:	1986
Sales revenue in 2010:	€1.6 million
Sales revenue in 2000:	€770,000
Average number of employees in 2010:	45
Brain(s) behind the company:	Founder and owner Sead Terzić

2.1.1 Nature of Market Leadership

Plastex holds a leading position in the Central and Eastern Europe market with a product called *klip-klap*; a promotional requisite used in sports, music, political, humanitarian or any other kind of event where promotional products are needed.

2.1.2 Nature of Competitive Advantage

Plastex has a system of continuous quality improvement (Eisenhardt and Galunic 1999). This does not apply to core products only, but to the whole offer as such. It means that product prices, distribution, information systems, communication, general cooperation with suppliers, and supportive services to their clients, are being constantly improved.

2.1.3 Core Lessons Learned on the Path to Success

If you have a technically simple product with a low unit price, but with a similar quality to products from distant, low-cost labour regions like China, you can outperform competitors due to greater proximity to the market and lower transportation costs. However, this is not the only necessary condition. Three other issues are important:

1. Owner's constant intention to realize the vision of success.
2. Continuous desire for improvement and innovation.
3. Establishing and maintaining high-rated relations with customers.

2.1.4 Plastex Ltd: Hidden Champion

Plastex was established in 1986. The company is situated in Gračanica, a town in northern B&H. This area has been known for years for its entrepreneurial inhabitants. The number of Plastex employees has grown steadily over the years, reaching a total of 45 at the end of 2010. The company's turnover has grown from €0.77 million to €1.6 million in the last 10 years. Plastex started its exporting activities in 2006 and generated approximately 3 % of its sales revenue from activities in Southeast Europe. However, its export sales revenue decreased to 1 % in 2009. The company board gives two explanations for this: First, the recent recession, which heavily hit its markets abroad; and, second, the political environment in B&H, which is not supportive to private business activities.

Plastex holds a leading position in CEE klip-klap sales. It is still developing a demand for this product, as it was previously unknown to the market. The company is doing well as the flexible packaging industry is in its growth stage.

The main industry competitors are from within B&H. However, there is no other company that produces klip-klap. According to Mrs. Hodžić, daughter of the owner and chief financial officer (CFO), the closest known competitor is based in China. A major threat from competitors is the fact that their product ranges are very similar. This is because of the similarity in technologies they use, making it difficult for companies to diversify the products they have on offer. Some competitors target the same clients, which is why Plastex focuses more on market niches.

Three major clients generate approximately 20 % of Plastex's total revenue. This can be explained by the corporate 90/10 rule. The company has focused on small to medium corporate clients who create 80 % of the company's revenue. Plastex has a client retention rate of 90 %, and refuses to do business with the remaining 10 % as they are viewed as "bad clients". The reason for avoiding business with big companies is their "business arrogance", as Mrs. Hodžić put it. These companies are big spenders and big clients, but being aware of their significance, their

payments are irregular and they often seek compensation from Plastex. Hence, in order to stay liquid, Plastex focuses on more accountable clients—i.e., the SMEs.

Leadership is seen as the company's most important competence. The CEO (and owner) is a strong and decisive leader with a clear vision. This is what Mrs. Hodžić says about her father, and how he came up with the idea to start a business: "Ever since he was a child working on his family's estate, he dreamt of having his own business, being his own boss. He didn't want to work for his dad or somebody else. This is what drove him in starting his own business and looking after it the whole time. The turning point was when I was a child. I asked him to buy me something but he couldn't do it and that made him feel bad. It was then that he decided that the moment was right to start his own business." He does not lack in entrepreneurial intuition or continuity in leading. Finances do not represent a restraint on further development. Employees are satisfied and highly motivated. CRM is believed to be one of the key competencies because the company has loyal customers who often express their high satisfaction with the excellent relations they have with Plastex.

B&H is a collectivistic society (Cateora and Graham 2005). Among other things this means that interpersonal relations are of great importance. This is no different in business interactions, which is why Plastex puts great emphasis on developing good interpersonal relations with its business partners. Showing an understanding for partners' problems, and even helping in situations where it is possible, results in strengthening connections and client satisfaction.

The main product that defines Plastex as a HC is klip-klap. This product is the result of an innovative process. Interestingly, this innovation has not sought high investment; rather, it originated by accident, which is in line with Kirzner's theory of entrepreneurship. This is not a surprise, as the company invests only 2 % of its revenue in innovation. The main driver of the innovation process is customers' needs in conjunction with internal technological competencies, although the latter has dominated the process. The reason for this is the fact that klip-klap was not known in B&H before it was produced by Plastex. Plastex finances its R&D from its revenues. The average ROI is 20 %. However, there is no clear selection process for innovative ideas.

Mrs. Hodžić finds profits, cost savings, and corporate growth satisfactory. Having in mind the problems the recession brought with it, the CFO still believes that Plastex has done well in comparison to the rest of the industry. She is optimistic about the future and believes that the industry is becoming increasingly attractive to new entrants. Plastex's ROI has been between 15 and 20 % over the last 10 years. The company has no financial difficulties and finances do not pose a growth obstacle.

2.2 Lumen Ltd.

Overview

Address: Dubrava bb, 88344 Drinovci, Bosnia and Herzegovina
 Tel: +387 39672770
 Email: info@lumen.ba
 Web: <http://www.lumen.ba>

Company Information

Industry:	Production and trade of candles and decoration articles
Year of establishment:	1986
Sales revenue in 2010:	€4.0 million
Sales revenue in 2000:	€1.4 million
Average number of employees in 2010:	51
Brain(s) behind the company:	Founder and owner Miro Vekić

2.2.1 Nature of Market Leadership

Lumen operates mainly in the candle market. Although this company manufactures different objects for decoration, its star product is the candle—mainly for religious, romantic or catering purposes. Lumen considers itself to be a market leader on the basis of both revenues and sales volume.

2.2.2 Nature of Competitive Advantage

Strong leadership and entrepreneurial vision are the most important competencies (Fine et al. 2002). Furthermore, strongly motivated staff and the overall local image of the company play vital roles. Financial strength, know-how gained from the world’s best candle producers, and IKEA, were also mentioned as essential to Lumen’s success.

2.2.3 Core Lessons Learned on the Path to Success

1. Even in a simple “candle” business, do not discount the role of educated employees. Thus, educate your employees continuously.
2. Be in a constant search of how you can improve the production process. Even small improvements could make a huge difference.
3. Many well-functioning business and product solutions have been already discovered by your partners. Gain that know-how from your corporate clients and suppliers.
4. Use big globally renowned clients (like IKEA) to attract new clients.

2.2.4 Lumen Ltd: Hidden Champion

Lumen is a candle-producing company situated in the southern part of Bosnia and Herzegovina. Mr. Miro Vekić, the owner and CEO of the company, started his entrepreneurship in 1986. He began his private business by buying a 20-year old candle producing machine; he set up the machine in his private garage and started manufacturing. Today the company has 51 employees. Its revenues have increased from €1.5 million to €4 million in the last 10 years. During the same period, the company generated 15 % of its revenues abroad, which have increased to a current 30 %. While this research was being undertaken, Lumen was involved in negotiations for a business arrangement which, if concluded, would increase the export revenues to 45 %. Within B&H the company has its own sales representatives. Lumen is one of the few worldwide candle producers for IKEA. As for the region, Lumen exports to independent retailers.

Lumen operates mainly in the candle market. When you go to a restaurant or buy a set of elegant candles to prepare for a romantic dinner, you will come across candles produced by Lumen. Although this company manufactures different decorative objects, its star product is the candle—for religious, romantic, or catering purposes. Lumen considers itself the market leader on the basis of both revenue and volume of sales.

Mr. Vekić has identified three major competitors; Meteor and Iskra Zelina from Croatia, and Ilirija from Slovenia. These companies have traditions much longer than Lumen's, and they are part of bigger production entities. The only similarities that Lumen shares with its competitors are the products they offer and the structure of ownership. And it is the latter that Mr. Vekić sees as Lumen's advantage in relation to its competitors. He believes that the recent privatization processes in Slovenia and Croatia has weakened the competing companies. Furthermore, despite the privatization, his view is that these companies did not experience a significant orientation towards the market.

According to Mr. Vekić, product quality, price, efficiency, distribution, and cooperation with the distributors are of high relevance to his customers. He further believes that the existence of patents and pre-sales service is not important to his clients. This seems plausible, taking into consideration the simplicity of the product in focus.

A strong leadership and entrepreneurial vision are the company's most important competencies. Furthermore, its strongly motivated employees and overall image, especially within the local community, are its major strengths. Financial strength, the know-how gained from the world's best candle producers, and IKEA, were also mentioned as essential to Lumen's success. Continuous improvement of the production process, and both the widening and the deepening of the product mix, leads to the conclusion that Lumen does innovate consistently.

When it comes to candles, world standards are very strict—each candle has a certain amount of time to burn; it has to have a certain weight; the wax must not drip; the candle should not smoke, and so forth. All these quality standards have helped Lumen not only to beat its regional competition but to foster market

evolution and boost demand. These quality standards have made Lumen famous in the region.

Lumen invests 10 % of its revenue in innovation. But the company does not invest as intensively in widening the product mix as it does in deepening it. And without continuous technological development and human resources advancement through educational programmes (given by Lumen's suppliers and consultants), product evolution would not be possible. The innovation process is generated mostly by market needs. Stakeholders involved in this process are suppliers who offer educational programmes, and clients who have strict specifications for the products they wish to purchase. Lumen is therefore constantly enhancing its products.

It has already been mentioned that Lumen has current annual revenue of €4 million. This can be traced back to the growth of both market and prices, although total revenue has decreased. The competition has become tougher. Mr. Vekić is happy with Lumen's growth, with its current capacity utilization, and the company's market position. Although less satisfied with current profits and cost savings, he is happy with the achieved results in the last 10 years. He believes that his company will face tougher times in the future but has no doubt it will be easier to achieve strategic objectives. This can be explained by the comfortable financial situation the company is in; finance does not impose restrictions on Lumen.

However, one might wonder whether it will be possible to compete on costs in future. Finding a world-class client such as IKEA has certainly been a winning card. By collaborating with such a demanding buyer Lumen has learned a lot. This arrangement has further improved the product and also the company's business model. Yet in order to gain long-term success, Lumen might think of building its own brand; something that the following case study will elaborate in depth.

2.3 Alma Ras Ltd.

Overview

Address: Olovske luke bb, 71340 Olovo, Bosnia and Herzegovina

Tel: +387 32823050

Web: <http://www.alma-ras.com>

Company Information

Industry:	Manufacturing and trading of under-wear apparel
Year of establishment:	1998
Sales revenue in 2010:	€5.5 million
Sales revenue in 2000:	€300,000

Average number of employees in 2010: 430
Brain(s) behind the company: Rasim Memagić

2.3.1 Nature of Market Leadership

Alma Ras holds a leading position in the underwear market in Bosnia and Herzegovina. Yet, this is not considered important, as most of the company's production is exported. Alma Ras is currently expanding its business, with a special focus in Russia and Turkey.

2.3.2 Nature of Competitive Advantage

Continuous improvement of rather small and per se unimportant elements of the business will make the company stronger (Johnson et al. 2008). This management style does not include big, world-changing moves; small improvements of business activities have made Alma Ras what it is today. Mr. Memagić argues: "People often ask what the key to our success was. But there wasn't a key to success. You see, it's all about details. It's the small pieces that need to be put together to gain success. This is what will drive the company in the future: devotion to work, devotion to becoming excellent. For instance, improvements in sales are based on constant educational programmes and giving the sales force instructions on how to do the job in the best possible way".

2.3.3 Core Lessons Learned on the Path to Business Success

1. Being in a low-cost labour country, position yourself as a contractual manufacturer for labour-intensive, technologically noncomplex goods like textiles.
2. Work on constant improvement of details within the production process, customer relations, managing HR, and so forth.
3. Acquire know-how from OEMs. In fact, being an OEM supplier might be the perfect learning method.
4. After you have acquired enough knowledge, your own experience in the business builds and when you have considerably improved your production processes, build up your own brand and leverage it to regions that are more price-sensitive.

2.3.4 Alma Ras Ltd: Hidden Champion

Alma Ras was established in 1998. The business was started by the Memagić family in Olovo, a town near the capital of Bosnia and Herzegovina. With decades-long experience in the textile industry, a few machines, and six employees, the company started producing underwear. Today it has three production facilities in B&H and 630 employees. Only recently, a fourth production facility was set into motion, creating another 200 jobs. Alma Ras cooperates with global underwear producers such as Dolce & Gabbana and Triumph, having most of its production exported. A few years ago the company started building its own corporate brand and developing its own retail system, slowly evolving from the position of an OEM supplier to a company with its own brand.

Alma Ras holds a leading position in the underwear market in B&H. The underwear or pyjamas that you wear these days might have been produced by Alma Ras. This would not be unusual as most of its output is exported. The company is expanding its business in the regional market as well, and has plans to enter markets in Russia and Turkey in the near future. At the moment, Alma Ras is pressing into markets where an OEM is not present, developing its own sales subsidiaries in most of the mentioned markets. After strengthening its own brand it might think of directly competing with its OEM clients. The market itself has grown intensively over the past few years. Both prices and sales have risen. Obviously these trends have boosted profits.

However, Mr. Memagić claims that the competitors that were founded during the socialist period (hence state-owned and privatized in the years after the partitioning of Yugoslavia) are steadily losing ground. Companies that were once managed by the state are not able to respond quickly to market needs or to competitors' moves. Thus, Alma Ras builds its market share by taking customers from these competitors.

Alma Ras started its business by doing jobs for global underwear brands. At the beginning, 100 % of its production was directed to global partners such as Dolce & Gabbana and Triumph. Today, approximately 65 % of its production output goes to these clients, while the rest is sold under the Alma Ras brand in Southeast Europe. Three key customers generate 25 % of its total revenue.

One of the company's key competencies is its flexibility in business negotiations. Customers appreciate this, especially in the textile industries where fashion trends change almost weekly. Some of its other main strengths are its knowledge of the market, employee motivation, and loyalty Alma Ras now possesses. In addition to this, strong relationships with customers have strengthened the company. From these partnerships, Alma Ras has gained knowledge about business, technology usage, production processes, and marketing. Now it applies this knowledge to build a brand of its own; yet previous knowledge and experience play an important role.

The company produces its underwear from high quality material, paying special attention to distinct product elements. Another characteristic of Alma Ras is its product pricing. The company offers high value at affordable prices.

The company invests 2 % of its overall revenue in innovations. But Alma Ras does not innovate with products only; innovation permeates its whole business model. The greatest challenge is to introduce these changes to employees. Mr. Memagić claims that this will be the toughest thing to do in the future. Alma Ras is going through an essential reorganization of the company's structure and the business as a whole. Once it is complete, Mr. Memagić believes, the company will be able to expand further.

In 2000, Alma Ras had revenue of €0.3 million, which rose by a factor of 18 to €5.5 million in 2010. When it comes to performance indicators, Mr. Memagić is mostly satisfied with capacity utilization and the steadily improving market position, although he believes profits and employee satisfaction can be enhanced. Mr. Memagić is least satisfied with cost savings. But despite a few concerns,

he is very happy with the general results that Alma Ras has achieved so far. He claims that the company has had much greater success than other industry players. This is the outcome of cooperation with a world-class company and the executive vision for Alma Ras to build its own corporate brand. Nevertheless, he believes that the underwear business will be much tougher in the future. While there was capital investment in a new factory in the recent recession, the CEO reveals that some other projects had to be stopped due to a lack of financial resources.

Alma Ras is making a transition from a cost-based to a brand-based company. Several lessons have emerged from this case. First, the company already had a solid knowledge of textile production technologies based on previous experience. Mr. Memagić claims that Triumph's managers were amazed by some of the processes Alma Ras was implementing when their cooperation started. Second, it has refreshed its knowledge by collaborating with a world-class company. Although Alma Ras competed on lower costs, the management was aware that this was not a long-term solution. Hence it is gradually building its own brand. Finally, the company's management has been taken over by young managers willing to take risks and make the necessary strategic changes such as heavier investments in marketing, reorganization, developing the company's own retail system, and so forth.

2.4 Feal Ltd.

Overview

Address: Trnska cesta 146, 88220 Široki Brijeg, Bosnia and Herzegovina
Tel: +387 39704269
Email: <http://www.feal.ba>
Web: info@feal.ba

Company Information

Industry:	Manufacturing, trading, and projecting of aluminium profiles
Year of establishment:	1976
Sales revenue in 2010:	€65 million
Sales revenue in 2000:	€10 million
Average number of employees in 2010:	450
Brain(s) behind the company:	Tončo Barbarić

2.4.1 Nature of Market Leadership

The company has held a leading position in Southeastern Europe for 6 years, with increasing business activities on the EU market. Although there are no precise indicators of market shares, the board's rough estimate is that Feal holds more than 50 % of the aluminium market in the SEE region.

2.4.2 Nature of Competitive Advantage

As suggested by Eisenhardt and Sull (2001) Feal offers system design and production at one place. System design of aluminium products, such as windows and doors, is an important element of aluminium construction and processing. It implies flexibility and a customized approach, which is highly valued by Feal's clients. Thus flexibility and a full service offer (production and design) are seen as distinctive competencies by the company's top management. Long-term relations with customers, extensive knowledge of the market and customers' needs, the CEO's strong personality, employee qualifications, and financial strength are also important competencies.

2.4.3 Core Lessons Learned on the Path to Business Success

1. Design all-round offers.
2. Continuously help customers through various suggestions and expertise.
3. Never stop improving and correcting your own production process.
4. Always strive to meet and exceed customer expectations.

2.4.4 Feal Ltd: Hidden Champion

Feal operates in the market of aluminium production and processing. Buildings that you live or work in could not stand without the type of products that Feal manufactures. The train you perhaps travel in would have problems stopping without Feal's products. The company has held a leading position in Southeastern Europe for 6 years, with increasing business activities in the EU market. Although there are no precise indicators of market share, the board's rough measure shows that Feal holds more than 50 % of the aluminium market in the region. These estimates are based on sales and revenue figures.

Feal was established in 1976 by the state government. In 2000 the company was privatized. Today, Feal is a middle-sized company with around 450 employees. In 2000, Feal's revenue was ten million euros, of which approximately two million euros was generated by export activities. With an annual growth of 30–40 %, Feal's revenue increased to 65 million euros by 2010; with exports providing 52 million euros. This high growth rate is based on several factors. First, Feal has gained great knowledge through a long experience in aluminium production. After the company's privatization, the decision making process became much less bureaucratic, making the company more receptive to market needs. This opened up great opportunities, as Feal had the chance to respond to the market, and it did so by expanding its product mix and taking aluminium products to new market segments. Finally, the executive board believes that Feal's competitive advantage is the major reason for its success.

The company is mainly export oriented. It is a heavy investor in both technologies and processing. While prices in the market have been constant in the last 10 years, the market size has increased, resulting in a significant rise in revenue.

Feal's main competitors are Alumul from Greece, TLM from Croatia, and Impol from Slovenia. Technologies and the owner/management structure are the main similarities between these competitors. However, there is an important dissimilarity between Feal and its competitors. While these companies are mainly focused on production, processing, or designing of aluminium products, Feal includes all three services in its offer. By creating an all-round service, the company increases its flexibility and ensures a customized approach to its clients. It further helps customers to articulate their ideas clearly. This often results in high customer satisfaction, which leads to further business arrangements and recommendations to other clients. In this way, Feal has utilized a great portion of the industry value chain and this has led to a great business success. It seems that the company's success has increased with the strengthening of control over the value chain. In comparison to its competitors, Feal offers the highest quality product on the market at the most competitive price, along with the highest quality pre-sale and post-sale services.

Major customers create 25 % of this company's overall revenue. The product is very important to the client, which is the reason why extensive information is usually needed before a sales closure. Most relevant to customers are product and service quality, as well as keeping delivery dates. Other factors, such as price, pre-purchase and post-purchase services, information systems, distance, and cooperation with clients, are also extremely relevant. These strengths help Feal create long-term advantages and relationships with its clients. On the other hand, advertising and patents do not seem to be important to Feal's customers.

As Feal's products are used mainly in the construction industry, it follows that the products are often used for a longer period of time; sometimes even decades. Therefore durability is certainly one of the quality dimensions. In order to achieve this, high-tech machines are employed and the manufacturing process is in general highly capital intensive. Product quality, price, efficiency, after-sales services, and keeping delivery dates, are also seen as competencies that enable Feal to gain greater success than its competitors.

Feal invests 2 % of its revenues into innovating processes. The company owns no patents. Given the nature of its products—i.e., the specific requirements each client has—the board of directors believes that patents would not improve the company's business model. The innovations that Feal introduces are mainly based on customers' inputs and requirements.

The value of Feal's equity has been steadily increasing over the last 10 years. Beside the already mentioned financial indicators, which imply strong growth in the past period, senior management appears to be mostly satisfied with the company's profits. However, there may be room for improvement of some indicators: growth of the company, capacity utilization, and especially cost savings. During the recession Feal has done much better than the rest of the industry, and its overall achievements are far above the industry's and the national economy's average.

Finances do not constitute a growth restraint. Major challenges of future growth are a lack of government support in securing a friendly business environment and macroeconomic changes in international markets.

From this case it can be seen that, despite obstacles coming from the government or the national and international economic environment, a company, can expect business success if it has a particular competitive advantage. Feal's overall service offer to customers—design of aluminium products, manufacture within modern facilities, and advisory role in assembly—is such an advantage.

2.5 Invento Media Group Ltd.

Overview

Address: Vrbanjaša 134, 71000 Sarajevo, Bosnia and Herzegovina
 Tel: +387 62437460
 Email: info@invento.ba
 Web: <http://www.inventomediagroup.ba>

Company Information

Industry:	Manufacturing, trading, and projecting of Bluetooth advertising solutions
Year of establishment:	2008
Sales revenue in 2010:	n/a
Sales revenue in 2000:	n/a
Average number of employees in 2010:	12
Brain(s) behind the company:	Sanjin Džonlić

2.5.1 Nature of Market Leadership

Invento Media Group (IMG) is the only company in the world that offers a Bluetooth device with a range of over 500 m. When it entered the market, IMG immensely improved the efficiency of its clients' resource usage.

2.5.2 Nature of Competitive Advantage

For IMG, the most important business know-how lies within their innovations. Investments in that field exceed 30 % of total revenues. The offering of a new product with supporting software solutions, as well as pre-sales and after-sales consultations with business clients, are the major features of this company. The loyalty of its employees and their motivation to develop the product further are additional key strengths. Finally, the flexibility of the company's offer, i.e. the

customized approach to each client, also represents a most important business competence.

2.5.3 Core Lessons Learned on the Path to Success

1. Design all-round service offers.
2. Continuously help customers by all kinds of suggestions and expertise, and provide customized software to each client.
3. If you are in the business of continuous product customization, you are in fact in the business of innovation. Your innovations are the key driver of success.

2.5.4 Invento Media Group Ltd: Hidden Champion

IMG was established only recently, in the year 2008. The company deals with devices that enable Bluetooth communication. The next time you go to a shopping mall and receive a discount notification on your cell phone, keep in mind that this might have been sent out by IMG's Bluetooth device. This new media communication channel is increasingly being used by companies seeking on-site communication with their potential or existing clients (O'Reilly et al. 2009). IMG is a start-up company that has grown immensely since its beginning. The company has two employees and ten part time workers. It is owned by four persons. The company grew 266 % in its first financial year and 1,000 % in the next! The reason for this stunning growth is the immense expansion of the client base. The profit was completely reinvested. The main part of Invento's revenues is generated by exports. In the first year exports accounted for 50 % of the company's revenues, while today this number has grown to 85 %.

Invento Media Group is the youngest HC of Bosnia and Herzegovina. Although it started its business only recently, the company already has connections and negotiates with potential clients from all over the world. IMG's managers suggest that technical performance is the indicator that defines a leading position in the market. There is the only company in the world that offers a Bluetooth device with coverage of 500 m or more. IMG is export-oriented, with 85 % of its business now generated by export activities.

When it comes to competition, there are few companies that compete with IMG in the same market. They also offer Bluetooth devices, but IMG believes that their own devices are far superior, in both software and hardware solutions. In the last few years the market has significantly increased, with a growing number of companies seeking innovative uses for Bluetooth communication. IMG's competition offers less expensive products but with a lower performance.

The purchase of this product is usually very important to IMG's clients. They are usually corporate clients—for example, shopping malls that would like to directly inform their customers about discounts or special offers—or companies that would like to maintain regular communication with their clients, such as pharmaceuticals that send out regular bio weather notifications. Currently the top three clients generate 60 % of the company's revenues. Since IMG is selling a new product, customers often need detailed information about its installation, usage and servicing. Hence, cooperation with supply is very important to IMG's clients, and so are

the quality of the product and the information systems that support its usage. On the other hand, other factors, such as price or location of the production facility, are less relevant.

IMG's high-tech product is not highly capital-intensive, even though it is technologically intensive. Compared to its few competitors, IMG offers a high quality product with an appealing price for its customers. The already mentioned pre-sales and after-sales services constitute an important part of the overall offer.

The innovation process of IMG is stimulated by impulses from the market. Still, as the product is high tech, innovative ideas are generated within employee circles. Ideas about how the product could be improved, what additional features it could include, and so forth, often emerge during regular discussion sessions. About 50 % of innovations are derived from analyses of ideas, wishes, and needs of current and potential clients. Approximately 25 % of innovations are adequate responses to competitive innovation, and 25 % are generated internally.

Even though finances do present a constraint for IMG, the management believes that future objectives will be easier to achieve because the business they are in is very attractive and lucrative if the company keeps customer satisfaction high. IMG does not have a problem in this respect. Most of its customers are loyal. IMG has done much better than other companies during the recent recession.

A major challenge that IMG faces is financial sustainability. In addition to this, the bureaucratic burden placed on start-up companies will certainly threaten IMG's expansion. As IMG's managers are technologically educated, a lack of specific managerial knowledge might also challenge IMG's future.

IMG is a pioneer of the technologically advanced companies emerging in the Bosnian economy. This carries different challenges, some of which have already been discussed; yet it also shows that the B&H economy is moving towards more technologically advanced businesses.

Conclusion

Compared to Simon's HCs, Bosnian HCs reveal some typical characteristics. First, these are companies from rural areas that have a distinct importance for the region they do business in. They are usually family-owned and run. Most of the Bosnian HCs are companies that have started as small entrepreneurs and over a short period have grown to medium-sized companies.

Another important similarity is the necessary innovativeness of these companies, as suggested by many authors (Yoffie and Kwak 2002; Yoffie and Cusumano 1999). It is usually related to technological advancement; innovative products are often expected to be high-tech products with the latest technological achievements. But this is rather a narrow perception of innovation. A broader definition implies improvements in both products and processes. Products do not have to be high-tech. This broader view of innovation applies in the case of Bosnian HCs. These companies work regularly on the improvement of business processes, such as production, sales, customer relationships, and more, so as to improve their businesses. Yet they are innovative because they seek new ways of achieving their objectives; they search for unusual paths to organize their work

and do business. And most important, they all truly believe that these improvements are the reason for their successes.

According to Simon, HCs usually do not experience any serious difficulties in times of economic contraction. None of the Bosnian HCs saw the recent recession as a drawback. On the contrary, Alma Ras, for instance, started a new capital investment and opened 200 new jobs. All the other companies also saw the recession as an opportunity and expanded further.

Most Bosnian HCs are export-oriented, and confirm the international marketing theory. With their exports they focus on markets similar to the domestic one. Yet it seems as if most Bosnian HCs are now beyond this phase, exporting to distant and less similar markets. Feal is increasing its exports to the EU, Lumen has been exporting to the Union for years, and Alma Ras is soon to take its products to Turkey and Russia.

Another important attribute of HCs is the offer of high quality products. All Bosnian HCs argue that their products are of the highest quality. The feedback provided by their customers reveals that these companies build their long-term relationships with their customers on the quality of the product. Most of the managers we interviewed said that price does not play an important role for their clients because they are prepared to pay more if the quality is satisfactory. Nevertheless, Bosnian HCs are able to offer somewhat competitive prices because of the economic environment they operate in. As B&H is a low-to-middle income country, costs are usually lower than in developed countries. Therefore Bosnian HCs manage to keep their costs lower despite the high quality of their outputs. This is one of the reasons that countries like B&H attract foreign investments.

Like all HCs, the Bosnian ones are focused on gaining and extending their know-how. Yet, the way it is done in B&H is very specific. When analyzing the success stories of Lumen and Alma Ras, it becomes clear that these companies gained much from the know-how they got from their global partners (IKEA and Triumph respectively). These two HCs, and there is reason to believe that there are more such companies in B&H, use the know-how of their world-class partners to build their own brands. Hence, regardless of the fact that manufacturing for a global company does not bring high profits, local producers still gain something; they get access to know-how that they can use for developing their own brands.

The obstacles these companies face are quite similar. The political environment in B&H is still unstable, which certainly has its effect on the business community. Most interviewees more or less openly suggested they had problems with the political elites and a government that was not supportive to their business, especially with respect to their exporting activities. Despite this, managers agreed that companies can succeed even in difficult times. Another government-related problem is the fact that the bureaucratic system is not efficient and effective. This explains why Bosnian HCs do not have any patents; they did not even try to legally protect their products because they doubt the

protection system. It follows that much greater results would have been achieved if companies had a more supportive external environment.

In line with this is an image of B&H that is still very negative. Images from the war in the 1990s are still present and shape a particular perception of Bosnia among business people around the world. Quality products are not expected from such a torn and destroyed country. Feal had been tracked by a potential German client for four years. Only after reassurance that Feal's product solutions accorded to its standards, did the client contact the Bosnian HC. During informal communication between representatives of the German and Bosnian companies, the German client expressed surprise; they had not expected such a high-quality product and complementary services from a Bosnian company. Even though Invento Media Group has offered a revolutionary tsunami warning solution to an Asian government, the company was turned down because the potential partner expressed concerns about IMG's country of origin. Prejudices or not, these perceptions clearly have a negative influence on HCs business activities abroad.

This chapter has explored the major characteristics of HCs in Bosnia and Herzegovina. Further information on the country reveals the state of the national economy, and hopefully helps the reader to understand why high-tech companies and high-tech products are rare in B&H. We discussed what industries Bosnian HCs are in, why they are considered to be HCs, and how they have worked their way up to global markets. Finally, we revealed some common features of their business decisions and activities.

It is obvious that Bosnian HCs are more similar to those of other CEE countries than those of Germany or the Netherlands. Having in mind the current transition from planned to market economy, and the last war, it is reasonable to expect that real, western-like HCs might emerge in the next 20–30 years. However, some major similarities do exist and this has allowed us to identify some potential HCs. They are all small or medium-sized companies that have grown steadily over the years without being decelerated by the recession or some other major economic drawback. These companies exist mainly in the rural areas of B&H; they are family-owned and family-run. The CEOs are innovative in managing their companies, their products, and their operations. These companies are focused on high-quality outputs. As a result they have high client retention rates. During the data gathering process, and especially during the interviews, a very interesting observation was made. Beside the ambitions that are common to managers of successful companies, one could not neglect the passion that the interviewees had for their businesses. The reason that these companies are champions most probably transcends the commonly observed profit and success drive.

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