

SOCIOLOGICAL DETERMINANTS OF THE BUSINESS DECISION-MAKING PROCESS IN BOSNIA AND HERZEGOVINA

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Abstract: *This paper examines the sociological factors that influence the business decision-making process in Bosnia and Herzegovina, with particular emphasis on ethnic affiliation, the role of local communities, social networks, and the level of trust in institutions. In the context of prolonged transition and pronounced social fragmentation, business decisions in this country often do not stem solely from economic criteria but are strongly shaped by broader social circumstances, informal rules, and personal relationships.*

The paper starts from the assumption that economic actors in Bosnia and Herzegovina are significantly conditioned by the social environment in which they operate, which is particularly evident in phenomena such as clientelism, reliance on personal connections, and selective trust in institutions. To better understand these processes, an empirical study was conducted on a sample of organizations from the private, public, and non-governmental sectors. The analysis of the collected data seeks to determine how sociological factors influence business behavior and decision-making. The paper highlights the need for an approach that goes beyond purely economic models and takes into account the social and cultural specificities of doing business in Bosnia and Herzegovina.

Keywords: *business decision-making, sociological determinants, Bosnia and Herzegovina, institutional trust, clientelism*

JEL classification: *Z13, D91, P20, D73*

INTRODUCTION

Significance of the topic

Business decision-making in transitional societies such as Bosnia and Herzegovina requires an understanding of the complex interaction between sociological and institutional determinants that shape the strategic orientations and partnership relations of actors within the business sphere. Bosnia and Herzegovina, burdened by the challenges of the post-conflict period and ethnic fragmentation, faces specific obstacles that transcend the boundaries of conventional economic decision-making models. In such a context, business decisions are rarely the result of purely rational economic

calculations; rather, they are significantly conditioned by social norms (Fahrati, 2023), ethnic loyalties (Dyer & Ross, 2000), personal ties (Davidrajuh, 2008) and informal power networks (Norbom & Lopez, 2016).

Social divisions and political tensions, which are inherent to Bosnian-Herzegovinian society, create an environment characterized by a lack of trust in formal institutions. According to Fukuyama (Fukuyama, 1996), this represents a major obstacle to the development of a transparent and predictable market framework. The erosion of institutional trust encourages the emergence of alternative modes of business organization, in which entrepreneurs and managers primarily rely on informal social networks, often within homogeneous ethnic or clientelist structures (Nekmahmud & Patwary, 2023); (Efendic & Williams, 2025) This phenomenon is particularly pronounced in societies where clientelism and ethnic affiliation become significant criteria in the selection of business partners, access to markets, and resource allocation, thereby reinforcing existing social divisions and reducing the potential for creating an inclusive business environment (Dolenec, 2013).

Scientific research into the relationships between ethnic affiliation, social networks, clientelism, and the business decision-making process in Bosnia and Herzegovina holds substantial theoretical and practical relevance. Such analytical efforts contribute to a deeper understanding of local patterns of economic behavior and offer broader insights into the complexities faced by transitional societies in their efforts to establish functional market and democratic institutions (Brinkerhoff, 2007). A systematic understanding of these dynamics is essential for formulating sustainable public policies aimed at reducing the influence of informal practices and strengthening trust in formal decision-making mechanisms.

Research subject, problem and objectives

The subject of this research is the set of sociological factors that shape business decision-making in Bosnia and Herzegovina, with a particular focus on the influence of ethnic affiliation, clientelist networks, social ties and the level of institutional trust. The study concentrates on understanding how these factors affect the selection of business partners, access to markets, and the formulation of business strategies within the specific post-conflict and transitional context of Bosnia and Herzegovina.

Given the complex socio-political framework of Bosnia and Herzegovina, the research problem is articulated through the following question: *How do ethnic affiliation, social networks, clientelism and the level of trust in institutions shape the business decision-making of entrepreneurs and managers in Bosnia and Herzegovina?*

The objective of the research is to analyze how sociological factors—including ethnic affiliation, social networks, clientelism, and institutional trust—affect business decision-making, partner selection, and market strategy among entrepreneurs and managers in Bosnia and Herzegovina.

Hypotheses

Main hypothesis

H0: In Bosnia and Herzegovina, business decision-making is significantly shaped by ethnic affiliation, clientelist practices and reliance on informal social networks, a dynamic further reinforced by distrust in state institutions.

Auxiliary hypotheses

H1: Ethnic affiliation and social networks have a significant influence on business decision-making in Bosnia and Herzegovina.

H2: Distrust in state institutions leads to an expansion of informal social networks that affect business decisions.

H3: Clientelist ties often dominate the processes of selecting business partners and accessing markets in Bosnia and Herzegovina.

METHODOLOGY

Given the complexity of the research problem and the need for a comprehensive examination of the influence of sociological factors on business decision-making in Bosnia and Herzegovina, the study employs a mixed-methods approach integrating both qualitative and quantitative methods.

The **qualitative component** is based on the analysis of secondary sources, including academic literature and other relevant documents. **Qualitative content analysis** will be used to identify patterns and relationships among ethnic affiliation, social networks, clientelism, and institutional trust, with the aim of gaining a deeper understanding of the context and processes of business decision-making. To empirically test the hypotheses, a quantitative survey will be conducted on a micro-sample of entrepreneurs, managers, and decision-makers from various sectors in Bosnia and Herzegovina. The questionnaire will consist of closed-ended items structured according to the Likert scale, focusing on perceptions of clientelism, trust in institutions, the importance of ethnic and personal ties in business decision-making, and assessments of the influence of social networks on business dynamics.

The collected data will be analyzed using descriptive and inferential statistical methods, enabling the identification of statistically significant relationships among variables and the confirmation or rejection of the proposed hypotheses.

Sample characteristics

The research was conducted as a case study on the territory of Bosnia and Herzegovina, encompassing the Federation of BiH, the Republic of Srpska and the Brčko District. Data collection took place during May and June 2025 in order to capture the current context of the business environment in a transitional and post-conflict society. The sample consisted of 14 enterprises and organizations selected through purposive sampling. Particular attention was given to the inclusion of micro, small, medium-sized, and large enterprises, as well as representation from the private, public, and non-governmental sectors. This sample structure enables insight into diverse perspectives and practices of business decision-making within the complex institutional framework of Bosnia and Herzegovina.

Data were collected using a structured survey questionnaire, and respondents evaluated three key research dimensions: perceptions of the influence of ethnic affiliation on business decisions; the role of social networks and personal ties in business operations; and trust in institutions alongside attitudes toward clientelism and market practices.

The instrument was designed to quantitatively capture basic patterns of perceptions and attitudes, using standardized response formats that allow for systematic analysis within the selected sample.

The research is partially limited by the availability and representativeness of the sample in the quantitative segment, as well as by the constraints inherent to qualitative analysis of secondary sources. As a case study, the research provides an indicative and illustrative overview of specific patterns in business decision-making, which may serve as a foundation for future, more extensive studies. Additionally, the combination of methodological approaches enables data triangulation and enhances the reliability and validity of the findings.

ANALYSIS OF SECONDARY DATA

Contemporary sociological frameworks of business decision-making

Business decision-making has traditionally been viewed through the lens of economic theories that emphasize rationality, risk calculation and utility maximization. However, in contemporary social contexts, there is an increasing need for a multidimensional approach to this phenomenon, whereby the sociological perspective offers a deeper understanding of decision-making processes within business environments. Decisions within economic organizations depend less on purely rational calculations and increasingly on the social context, cultural patterns, and normative frameworks within which organizations operate (Yin, Li, Li, Ren, & Wang, 2023); (Vila-Henninger, 2021); (Beckert, 2003).

Social norms, value systems and the degree of trust among actors emerge as significant variables influencing how organizations in Bosnia and Herzegovina make business decisions. Although many decisions may initially appear to be the product of pure market logic, in practice they are often infused with community expectations, social obligations and the specificities of the institutional environment. Belás and colleagues (Belás, Smrcka, Gavurova, & Dvorsky, 2018) emphasize that in transitional societies, where the institutional framework is not fully consolidated, social factors become even more pronounced and often decisive. In such contexts, business decisions are not merely responses to economic pressures but also reflections of local power relations, family expectations, political stability and ethnic affiliation. This dynamic becomes particularly evident when the legal system fails to provide a predictable and stable environment for business operations, creating space for parallel, informal mechanisms of coordination and decision-making. In such circumstances Burt (Burt, 2018) argues that social capital becomes a key resource for managing uncertainty. Networks of trust, interpersonal ties, and informal structures increasingly assume the role of “guarantors” of stability, loyalty and efficient exchange in business relations. Reliance on these sources, rather than exclusively on formal institutional mechanisms, does not stem from a disregard for rules but from adaptation to the real social conditions in which organizations operate, where personal ties are often more reliable than legal frameworks.

The sociological approach to business decisions rests on the assumption that organizations do not operate in a vacuum but within concrete social environments that shape their behavior, perceptions of goals, and acceptable means of achieving them. The structure of society, through norms, value patterns, and institutional expectations, determines not only *what* can be achieved but also *how* it is achieved. In this sense, business decision-making involves the continuous interpretation of social signals and the adaptation of strategies to local cultural patterns. For example, the concept of cor-

porate social responsibility (CSR) increasingly reflects the effort of organizations to respond to the specific expectations of the local community, rather than merely optimizing public image or fulfilling regulatory requirements. CSR thus becomes a social reflex rather than solely a managerial marketing instrument. According to Yin and colleagues (Yin, Li, Li, Ren, & Wang, 2023), the success of innovation, flexibility in changing environments, and long-term sustainability of enterprises are increasingly linked to the ability of organizations to understand and interpret social patterns and cultural changes within the communities in which they operate.

In this context, globalization further complicates the decision-making process, as organizations operate in a space that requires simultaneous sensitivity to local social values and alignment with universal market standards. Granovetter (Granovetter, 2018) i (McKeever, Anderson, & Jack, 2014) argue that contemporary organizations function at the intersection of market and society, where economic rationality must be in dialogue with social legitimacy. This tension between economic and social orders opens space for sociological analysis of business decision-making as a process deeply embedded in local culture, identity, and networks of social relations.

Modern management approaches increasingly emphasize the importance of participatory decision-making, which includes various social actors: employees, communities, and consumers. The trust built through such involvement not only enhances the legitimacy of decisions but also increases their effectiveness and sustainability. In this way, business decision-making becomes a reflection of broader social consensus and responsibility toward the community. This transformation can also be observed through the shift from rigid, hierarchical decision-making structures toward networked and horizontal forms of decision-making, where not only formal roles but also informal authorities and social networks play a significant role. Business decision-making is not an isolated economic activity but a socially conditioned process formed and developed within a complex system of social interactions, cultural patterns, and normative frameworks. Ignoring these factors leads to strategic errors, while understanding and integrating them into decision-making can represent a comparative advantage in contemporary business. The sociological approach thus opens space for a holistic understanding of organizations as social actors, positioning business decision-making as a process that serves not only profit maximization but also the pursuit of socially relevant goals.

Ethnic affiliation, social capital and clientelism in Business Practices in Bosnia and Herzegovina

In countries marked by institutional instability and social fragmentation, such as Bosnia and Herzegovina, business decisions are often intertwined with deeply rooted social factors, including ethnic affiliation, informal networks, clientelist patterns, and the general perception of trust in institutions. These factors interact and jointly create a specific social and institutional dynamic that forms an inseparable part of the business environment in Bosnia and Herzegovina.

Ethnic affiliation in Bosnia and Herzegovina represents more than an identity marker; it has a concrete functional role in shaping business relations and decisions. In an environment where social resources are frequently distributed along ethnic lines and where access to markets and institutional support is uneven, ethnic identity can serve

both as an asset and as a constraint. Belás and colleagues (Belás, Smrcka, Gavurova, & Dvorsky, 2018) note that in post-conflict and transitional societies, belonging to a particular group often plays a decisive role in business interactions, whether through networks of solidarity or through selective institutional support.

Social networks, whether formal or informal, further complicate business behavior in unstable institutional contexts. Burt (Burt, 2018) and Horak and colleagues (Horak, Klein, Ahlstrom, & Li, 2024) emphasize that organizations positioned within dense social networks enjoy strategic advantages, as such networks facilitate faster information exchange, strengthen mutual trust, and ease access to resources. In environments characterized by institutional weaknesses, interpersonal ties often serve as alternative mechanisms of coordination and control, compensating for deficiencies in formal structures and reducing operational risks. In the Bosnian-Herzegovinian context, such networks are frequently formed based on prior school, political, or ethnic affiliations, reinforcing the logic of “closed circles” in business. These networks function as informal regulatory mechanisms, creating forms of social closure that may facilitate exchange but also exclude “outsiders” from market flows (Portes, 2010).

The issue of institutional trust is particularly pronounced in societies where the legal framework is perceived as uncertain or ineffective. Hurley (Hurley, 2006) argues that when trust in institutions is eroded, individuals increasingly rely on personal judgments, acquaintances, and informal channels, as these offer a sense of security and control that formal structures no longer provide. This dynamic is clearly visible in the business environment of Bosnia and Herzegovina, marked by weak institutional capacities and insufficient legal protection, where entrepreneurs often rely on personal ties and informal authorities as key sources of security and support in business operations (Ateljevic, O'Rourke, & Todorovic, 2004). A similar pattern is present in the public sector, where hiring processes show a strong dominance of political influence and non-transparent practices. According to Transparency International BiH (Transparency International BiH, 2025), as many as 78.6% of citizens believe that political connections, personal acquaintances, and the absence of clear criteria are the main obstacles to fair employment, further confirming deeply rooted distrust in formal institutional mechanisms.

In this context, employee motivation cannot be understood outside the broader social framework. Šijaković (Šijaković, 2015) shows that motivation in organizations in Bosnia and Herzegovina often depends on subjective factors such as personal relationships with superiors, a sense of belonging, and perceptions of fairness and security, rather than on formal procedures or professional standards. When employees do not trust institutional mechanisms of reward and promotion, their motivation increasingly relies on informal sources of power and support networks, which further legitimizes clientelism as a dominant behavioral pattern.

Clientelism, as a pattern of business-political relations, represents an institutionalized form of social networking in which trust is not based on professional norms but on loyalty and reciprocal benefit. Granovetter (Granovetter, 2017) warned that “excessive social embeddedness” can lead to market closure and limit innovation. In the context of Bosnia and Herzegovina, this type of social embeddedness is further reinforced by weak institutional capacities, contributing to the formation of parallel decision-making structures in which access to public resources and opportunities is

regulated through informal channels, political loyalty, and personal ties (Ferjan, 2014). Clientelism thus becomes not only a mechanism of distribution but also a filter of motivation and advancement within enterprises (Šijaković, 2015).

Understanding business behavior in Bosnia and Herzegovina requires a broader analytical framework that goes beyond standard economic models. Ethnic dynamics, networks of social capital, the erosion of trust in formal institutions, and clientelist practices jointly shape a specific business environment in which rationality is defined locally rather than universally. To strengthen institutional capacities and foster a more inclusive business environment, it is essential to understand these factors as highly significant components of market dynamics rather than anomalies that can be ignored.

Characteristics of the business environment in Bosnia and Herzegovina during the transition period

The transition period in Bosnia and Herzegovina, formally beginning after the signing of the Dayton Peace Agreement in 1995, represents a complex and multidimensional process of profound social, political, and economic transformation. The shift from a planned to a market economy did not occur in a stable or socially homogeneous context, but within a post-conflict society marked by deep ethnic divisions, political instability and an erosion of trust in institutions. One of the most significant sociological characteristics of the business environment in Bosnia and Herzegovina during the transition is the pronounced fragmentation of the institutional framework and political decentralization (Blagovčanin, 2024); (Bošnjak, 2020). The Dayton structure, consisting of two entities and the Brčko District, created a complex governance system with multiple layers of authority and overlapping competencies. This institutional complexity reflects and deepens social divisions, complicates the formulation and implementation of coherent economic policies and enables the formation of local political-business elites who instrumentalize resources to maintain power (Krnić, 2020). Such an institutional framework has resulted in slow and uneven economic development across regions, as well as differentiated access to markets and investments, thereby reinforcing social inequality (APOS0, 2022); (Papić & Fetahagić, 2019).

Privatization, envisioned as a central mechanism for transitioning to a market economy, was carried out without a clear strategy and with numerous irregularities and corrupt practices. Instead of creating a competitive private sector, privatization often resulted in the concentration of ownership in the hands of narrow interest groups, the closure of enterprises, and workforce layoffs (Čaušević, 2014) process weakened the economic base and social capital, undermined trust in market institutions and generated a sense of collective injustice, further widening the gap between citizens and the state.

At the macroeconomic level, the transition period was characterized by a combination of slow and unstable growth. Although international financial institutions such as the European Bank for Reconstruction and Development (EBRD) and the International Monetary Fund (IMF) provided substantial support through loans and technical assistance, the effects were limited due to the lack of structural reforms and insufficient political will to implement them (EBRD, 2017). Low levels of foreign direct investment, a high share of the informal economy, and weak rule of law continuously constrained the development of a competitive and sustainable business environment (Krnić, 2020).

Consequently, the transition period in Bosnia and Herzegovina produced ambivalent outcomes. On the one hand, the transition enabled trade liberalization, modernization of the banking sector, and the establishment of basic market mechanisms, opening opportunities for new entrepreneurial dynamics and regional integration. On the other hand, without deeper institutional reforms and the development of a functional legal system, the positive shifts of the transition period remained limited and often uneven. In this context, Čaušević (Čaušević, 2014) argues that the economic landscape in Bosnia and Herzegovina has been shaped by informal networks and clientelist patterns, while Šijaković (Šijaković, 2015) highlights the importance of interpersonal relations and loyalty in organizational behavior, further complicating transparency and market efficiency. Given these conditions, the business environment in Bosnia and Herzegovina during the transition period cannot be understood solely through economic indicators or institutional reforms. It is the product of a specific social configuration marked by ethnic divisions, institutional fragmentation, and an erosion of trust in public institutions. Without addressing these sociological challenges, future economic reforms and development programs will face limited effectiveness and a high likelihood of reproducing existing inequalities.

ANALYSIS OF RESEARCH RESULTS

The research sample consisted of 14 organizations and was conducted across the territory of Bosnia and Herzegovina during May and June 2025, using a closed-ended survey questionnaire within a case study design. The purposive sample included enterprises and organizations of different sectors and sizes, with the aim of capturing the diversity of the business environment. Women accounted for 71.4% of respondents, while men represented 28.6%. This predominance of female participants indicates a notable presence of women in managerial or leadership positions across various sectors in Bosnia and Herzegovina, which may be relevant for examining perceptions of institutional trust and informal networks, as different social and professional identities can shape attitudes and experiences in business settings.

The largest share of respondents (50%) belonged to the 41–50 age group, followed by those aged 31–40 (28.6%) and respondents up to 30 years of age (14.3%). Only 7.1% of participants were older than fifty. This age structure suggests that most participants are experienced professionals actively involved in shaping business decisions, which further enhances the relevance of their perceptions.

The sample included participants from the private sector (50%), the non-governmental sector (28.6%), and the public sector (21.4%). This diversity enables comparisons of perceptions and experiences across different institutional settings, particularly when analyzing phenomena such as clientelism, ethnic affiliation, and the role of informal networks. The largest number of respondents came from small enterprises (35.7%) and micro-enterprises (28.6%), while medium-sized and large organizations were represented with 14.3% and 21.4%, respectively. This structure reflects the reality of the business landscape in Bosnia and Herzegovina, where small and medium-sized enterprises dominate. Such enterprises are often the most exposed to informal market rules, making this distribution analytically significant.

Perceptions of the Influence of Ethnic Affiliation on Business Decisions

The results regarding the statement that ethnic affiliation of partners is considered when making business decisions indicate a strong predominance of negative attitudes toward considering ethnicity in professional decision-making. Specifically, 71.4% of respondents (10 out of 14) stated that they do not take ethnic affiliation into account at all, assigning the lowest possible score on a 1–5 scale. An additional 14.3% (2 respondents) selected a score of 2, which still reflects an exceptionally low level of importance attributed to this dimension in business relations. Only one respondent (7.1%) selected scores 3 and 4, respectively, while no participant considered ethnic affiliation to be fully relevant in business decision-making.

These findings clearly show that most participants distance themselves from the idea that the ethnic identity of a partner should play any role in professional decisions. Such a stance suggests a high degree of professional neutrality and potentially a mature awareness of the importance of inclusivity and equality in business relations.



Graph 1: Perceptions of ethnic affiliation in business decisions

Source: author

The results for the statement that ethnic affiliation plays a key role in selecting business partners show a clear orientation toward ethnic neutrality. As many as 78.6% of respondents rated this statement with the lowest possible value, thereby clearly expressing the view that ethnic affiliation does not play a significant role in choosing business collaborators. An additional 14.3% (2 respondents) selected a score of 2, suggesting only a minimal influence of this factor. Notably, no respondent selected options 3 or 5, while only one participant chose the value 4 (“agree”), indicating that ethnic selection in business relations is extremely rare among the surveyed participants.

Taken together, these findings show that ethnic affiliation is entirely irrelevant for most respondents when it comes to selecting business partners. This further confirms a professional orientation and a low prevalence of bias based on ethnic identity.

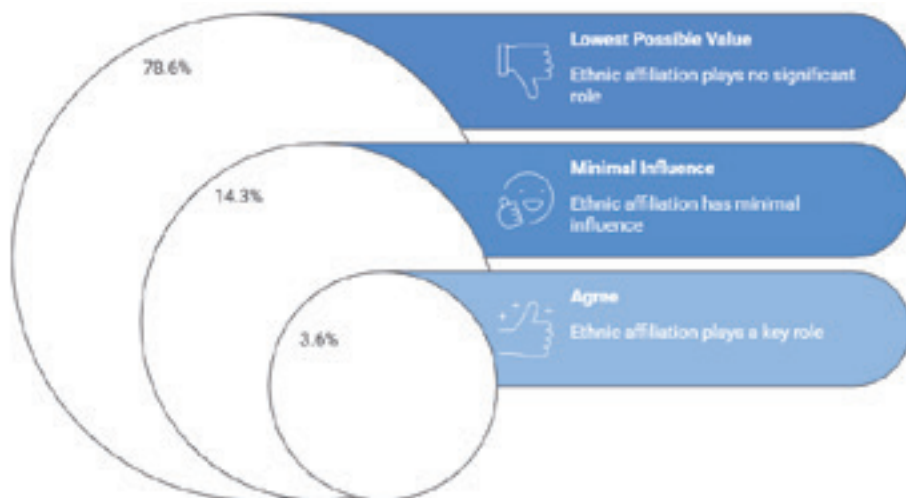


Figure 1: Ethnic affiliation in business partner selection

Source: author

The attitudes regarding the statement that ethnic solidarity facilitates business processes are diverse. The majority of respondents (60%) disagreed with this statement, while 21.4% remained neutral. A smaller number partially or fully agreed: 7.1% selected a score of 2, another 7.1% selected a score of 4, and 14.3% fully agreed. These findings indicate that, although skepticism predominates, a smaller portion of respondents still perceive ethnic solidarity as potentially beneficial for business cooperation and mutual understanding.

The role of social networks and personal connections in business

The analysis of attitudes regarding the role of personal connections and social networks in business in Bosnia and Herzegovina reveals a high awareness of the importance of informal networks within the business environment. Responses to the statement that personal contacts are crucial for business success were dispersed, yet the largest share of respondents (28.6%) fully agreed, while 21.4% remained neutral and 14.3% expressed strong disagreement. This distribution indicates a considerable influence of personal ties but also highlights differences in how respondents perceive their importance.

Similarly, the statement that access to important business information and resources is difficult without strong social networks received substantial support: 35.7% fully agreed, and an additional 14.3% selected a score of 4. Although a portion of respondents expressed disagreement (14.3% selecting 1), the prevailing view confirms the significant role of social networks in the business environment.

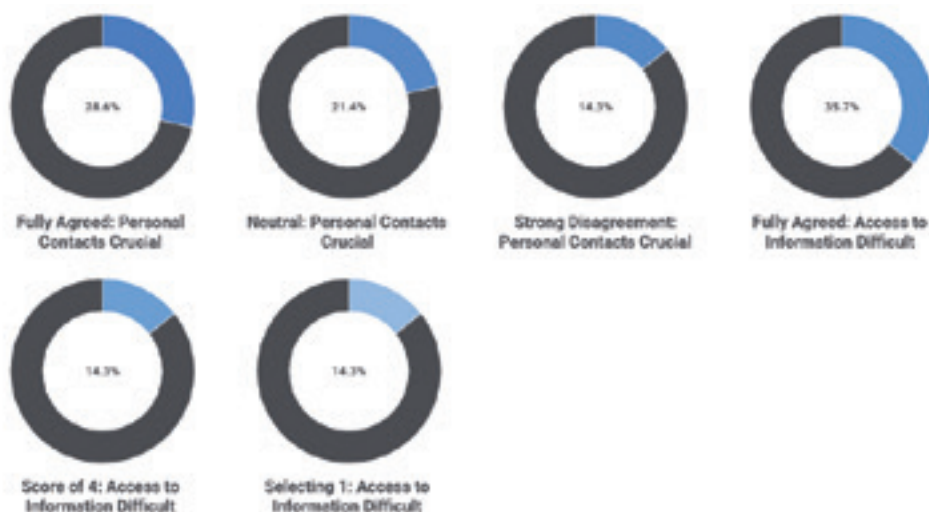
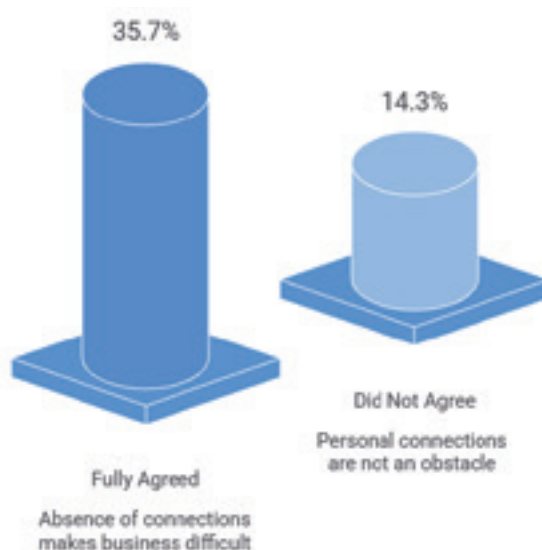


Figure 2: Attitudes towards personal connections in business

Source: author

The third statement, which concerns the impact of personal acquaintances on securing business with public institutions, reinforces the previous findings. The largest share of respondents (35.7%) fully agreed that the absence of personal connections makes it more difficult to conduct business with the public sector, while only 14.3% did not view this factor as an obstacle at all. These results point to a deeply rooted perception that personal ties play a significant role not only in the private sector but also in interactions with public institutions in Bosnia and Herzegovina.



Graph 2: Impact of personal acquaintances on business with public institutions

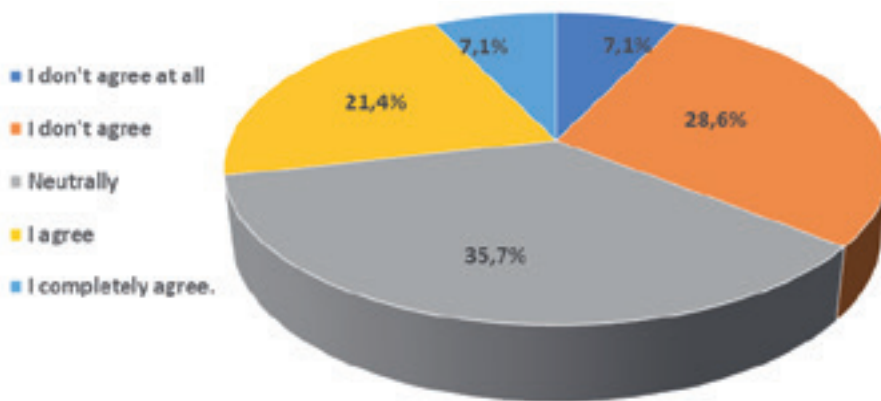
Source: author

Trust in public institutions and attitudes toward clientelism and market practices

The analysis of respondents' views on institutional trust indicates a low level of confidence in public institutions in Bosnia and Herzegovina when it comes to adhering to business rules. Opinions are divided: the largest share of respondents (35.7%) selected a score of 3, suggesting a neutral or moderately distrustful stance. At the same time, 28.6% expressed a low level of trust (score 2), while an elevated level of trust (score 5) was recorded for only one respondent. These findings suggest that most entrepreneurs approach public institutions with caution and reservation.

Even more pronounced distrust emerges in responses to the statement that the institutional framework forces entrepreneurs to seek alternative, informal ways of solving problems. Nearly three-quarters of participants confirmed this with high scores: 60% selected 4, and an additional 14.3% selected 5. This indicates that most respondents perceive institutional mechanisms as insufficiently functional and predictable.

Clientelism in public procurement and dealings with the state is also recognized as a widespread issue. The largest share of respondents (35.7%) agreed (score 4), and an additional 21.4% fully agreed (score 5) with the statement about its prevalence. Only a small percentage (7.1%), represented by a single respondent, did not perceive this as a problem (score 1). This pattern points to a widely shared impression that doing business with the public sector requires informal networking and negotiated arrangements.

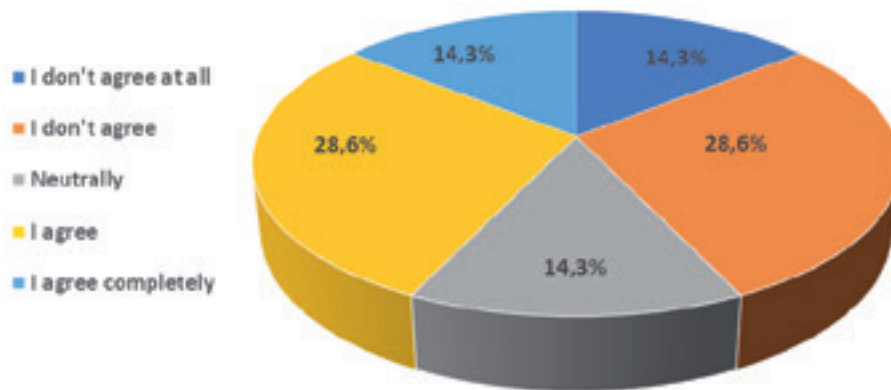


Graph 3 - Degree of trust in public institutions in Bosnia and Herzegovina

Source: author

The responses to the statement regarding the presence of clientelism across nearly all spheres of business in Bosnia and Herzegovina further confirm the seriousness of the issue. As many as 60% of respondents selected a score of 4, while 21.4% chose the highest score of 5, meaning that over 80% perceive clientelism as highly widespread. Conversely, only an exceedingly small share (7.1%), represented by a single respondent, believed that this phenomenon is not present at all. Regarding the statement that business opportunities are difficult to obtain without political support, opinions were more divided. Scores 4 and 5 together account for 49.9% (28.6% and

21.4%, respectively), while 28.6% selected a score of 2. This distribution suggests that many entrepreneurs do not believe in equal market competition and instead view political backing as crucial for success. A similar pattern appears in responses to the statement that reliance on political connections is more important than the quality of a product or service. A majority of respondents supported this view: 28.6% rated it with a 4, and 14.3% with a 5, amounting to more than 40% expressing strong agreement. With an additional 28.6% selecting a score of 2, it is evident that respondents acknowledge the relevance of this problem.



Graph 4 - The importance of political connections in relation to market factors

Source: author

When asked to what extent sociological factors such as ethnic affiliation, background and personal connections limit the development of a fair and transparent market environment in Bosnia and Herzegovina, half of the respondents (50%) selected a score of 4 (“agree”), while 28.6% expressed a neutral stance and 21.4% rated these factors with a score of 2. Only 7.1%, represented by a single respondent, believed that these factors do not impose any limitations. This clearly indicates that most entrepreneurs perceive strong social divisions and personal networks as obstacles to equal market competition. A common pattern runs through all these findings: low trust in institutions, a widespread perception of clientelism and a pronounced influence of social and political ties on business operations. The data show that market norms are largely overshadowed by informal rules and political calculations, which restrict competition and slow down economic development based on quality and innovation.

Discussion of research findings

The research findings provide a complex picture of the dynamics of business decision-making in Bosnia and Herzegovina, partially or fully confirming several of the proposed hypotheses while simultaneously challenging others. The main hypothesis (**H0**), which posits that *ethnic affiliation, clientelist practices, and informal social networks are key factors in business decision-making, further reinforced by distrust in institutions*, is largely supported, though with important nuances, particularly regarding the role of ethnic affiliation. The data indicate a pronounced degree of ethnic neutrality among respondents. The vast majority reject the relevance of ethnic affil-

iation in business decisions and in the selection of partners. These findings directly contradict the portion of **H1** suggesting a significant influence of ethnicity on business decision-making. At least at the declarative level, there appears to be a strong orientation toward professional criteria and equality, which is a positive signal in a post-conflict and ethnically fragmented society. However, the somewhat more varied responses to the statement on ethnic solidarity in business suggest that, for a smaller subset of respondents, ethnic ties may still play a role, particularly in facilitating communication and cooperation. Nevertheless, this tendency is not dominant and does not support the claim of a widespread influence of ethnicity. **H2** is fully confirmed. The results clearly show that distrust in public institutions generates reliance on informal channels, personal connections, and social networks, which become alternatives to formal business procedures. The high level of agreement with statements concerning the importance of personal contacts for business success, especially in interactions with the public sector—confirms a deeply rooted belief that the formal institutional framework is neither reliable nor sufficient. Moreover, the fact that most respondents consider informal networks essential for accessing information and business opportunities further reinforces the perception of institutional inefficiency. This creates an environment in which business activities unfold “parallel” to formal structures, often through networks of trust, acquaintances, and reciprocal exchanges. **H3** also receives strong support. The prevailing attitudes indicate a widespread belief that clientelism, particularly in dealings with the public sector—is not only present but nearly unavoidable. A large majority of respondents perceive clientelist practices as the norm rather than the exception, as reflected in high agreement with statements about the importance of political support, personal connections, and the disproportionate influence of these factors compared to the quality of products or services. More than 80% of respondents believe that clientelism is present in nearly all spheres of business, confirming that market competition is not based on merit but on informal arrangements and political patronage. This creates an unequal business environment and discourages innovation, investment, and long-term planning.

Overall, the findings confirm the existence of structural weaknesses in the business environment of Bosnia and Herzegovina, where distrust in institutions, clientelism, and informal networks dominate over transparent, fair, and formal business rules. At the same time, the rejection of ethnicity as a relevant factor in decision-making suggests a significant shift toward the professionalization of the business sphere. However, an open question remains as to the extent to which these attitudes reflect actual practices, and how much they represent socially desirable responses.

CONCLUSION

The research highlights the complexity of business decision-making in Bosnia and Herzegovina. While ethnic affiliation, contrary to expectations, was not identified as a dominant factor in selecting business partners or making strategic decisions, the findings clearly confirm that informal social networks, personal connections, and clientelist practices are deeply embedded in everyday business operations. Distrust in public institutions further motivates actors to rely on alternative mechanisms to achieve business goals, undermining the principles of transparency, equality, and market predictability. Such an environment hinders professional development, discourages

fair competition, and creates conditions in which political connections often outweigh quality and competence.

However, the limitation of a sample consisting of only 14 organizations requires caution when generalizing the conclusions. Although the sample was carefully selected to include different sectors, entrepreneurial profiles and organizational sizes, it does not allow for fully representative claims at the national level. Therefore, **the findings of this study should serve as a starting point for future, more extensive quantitative and qualitative research on larger and more demographically diverse samples**, in order to further clarify the patterns observed here and confirm the identified tendencies.

Despite the concerning trends that point to systemic market capture, the research also identifies several positive signals, such as professional orientation, ethnic neutrality and the strong presence of women in decision-making roles, which may serve as foundations for future reforms and the democratization of the business environment in Bosnia and Herzegovina.

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