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MANAGERIAL CHALLENGES IN THE CURRENT GEOSTRATEGIC CONTEXT, SPECIFIC TO SOUTHEASTERN EUROPE

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Abstract: *Political, economic and social developments, technological advances and the reconsideration of the military domain in the national security mechanism, etc. of the last decade show a much more accentuated dynamic than that of the phenomena that have manifested themselves since the end of the Cold War. The violent prolongation of the Crimea annexation into a war, Brexit and the Covid-19 pandemic, the rise of social media, the confrontation between sovereignism and progressivism, the climate problem and the waves of migration from the Middle East and North Africa, artificial intelligence and cyber attacks, Washington's trade policy and its economic competition with Beijing are just a few examples of phenomena that influence the global social system, including the management process of an organization. In this profound interdependence, the geostrategic context requires, from a managerial point of view, an in-depth analysis of the conditions generating positive or negative implications on the development of specific activities, in relation to the local, regional or international context. Thus, a large-scale transformation of individual, group and organizational behaviour can be observed, challenging managers to reinvent themselves and the organizations they lead, i.e. to reformulate the ways in which organizational objectives are to be achieved*.

Keywords: management, geostrategy, organization, uncertainty, decision

1. Introduction

In nowadays' managerial context, organizations are facing a new set of challenges generated by the various rapid changes in the security environment, global/regional crises or continuous technological advances. These developments can be categorized as factors that lead to a reconfiguration/ recalibration of management practices towards a much higher adaptability of an organization to their manifestation and implications. It is all too evident that organizations face much greater uncertainty than in the past. Current research has highlighted that organizations with a high degree of strategic adaptability are able to exploit unforeseen opportunities and increase their chances of survival in the marketplace or even gain the much sought-after competitive advantage. Moreover, "the integration of advanced technologies, including artificial intelligence, plays an essential role in enriching strategic decision-making processes, allowing companies to quickly analyze complex data and obtain useful information"[1]. The volatility of the global market, mainly referring to the evolution of the capital market, determines the need for coherent and sustainable practices, especially in the field of strategic management, as the major direction of an organization determines the intermediate

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steps/stages that it will take on a day-to-day basis. An efficient and sustainable strategic planning can ensure a realistic anticipation of changes, and on the other hand, a rigorous structuring of appropriate actions for a long-term viability of the organization. The quality of strategic decisions under conditions of rapid change becomes essential and will depend directly and proportionally on the quality of the scenarios developed in the managerial forecasting, based on a methodology appropriate to the specific internal and external environment of the organization in question. Starting from the geostrategic reality, the research aims, through direct observation and the analysis of some indicators considered relevant, to demonstrate the need for the evolution of contemporary management practices in line with the challenges, disruptions and dynamics of the contemporary business environment. Which means that managers should focus not only on ensuring organizational efficiency, but also on promoting organizational culture resilient to the direct and indirect consequences of the aforementioned phenomena.

2. Evolution of the Main Indicators of the Geostrategic Context Specific to South-Eastern Europe between 2020-2025

In the last years, the countries of South-Eastern Europe have "found themselves" subject to a significant number of internal and external phenomena, originating from the recent past or newly emerged, materialized by the maintenance of internal structural fragilities, new regional/global geopolitical tensions, the reconfiguration of the European Union's involvement in the area, the emergence of the Russian-Ukrainian war, etc. which are continuous challenges to organizations and their management. Arguably, the security state of the region, which includes both NATO/EU member states and aspiring Western Balkan countries, has been subject to significant shocks, starting from the COVID-19 pandemic to Russia's war of aggression against Ukraine, has been characterized by multiple vulnerabilities and growing uncertainty, in the short, medium and long term.

Figure 1: Geostrategic Stress Index for countries in Southeastern Europe
Source: https://rb.gy/x5jatx

A first indicator regarding the developments of the phenomena listed above and which may generate new political, economic, social or security trajectories of the countries in this region is the Global Guardian Geostrategic Stress Index (GSI), a predictive model for identifying the risk of multiple crises in the next five years (figure 1). It can be seen that there are 3 countries (Serbia, Montenegro and North Macedonia) that have a moderate risk, but without being susceptible to increasing internal instability, 2 countries (Moldova and Bosnia and Herzegovina) with medium risk in which the internal institutions have a diminished capacity to counteract a possible geostrategic crisis and 1 country (Kosovo) classified at the highest level of risk (extreme), in which the effects of a dynamic crisis are already being felt, and the other countries have a low risk where they are either very stable, or do not have natural resources or geographical areas that stimulate foreign influence, or have robust endogenous capacities that mitigate the potential for foreign interference and internal unrest, or a combination of these [2].

A second indicator that raises concerns in the area of business governance is the level of respect for political and civil liberties. Thus, globally, in the period 2020-2025, a downward trend in this indicator was recorded, with 60 countries recording a deterioration compared to 34 countries where an improvement was observed in 2024 [3]. For the first time in over 20 years, the world has fewer democracies than autocracies, and South-Eastern Europe is characterized as a region with a decline in democracy, reported in the Freedom House methodology. In the countries of the region, it is observed that transitional democracies predominate, which have a series of weaknesses in democratic governance with direct or indirect implications for political, social and economic stability and security in the area.

Figure 2: The level of freedoms for political and civil rights and in the countries of Southeastern Europe
Source: https://rb.gy/rpq55k

Another relevant indicator for the evolution of economic markets is the level of corruption, as a source of increasing uncertainty. The Corruption Perceptions Index (CPI) values from 2024 reveal that corruption remains a serious global problem, with an average of 43, stagnating for several years, with over two-thirds of the world's countries scoring below 50 [4]. Corruption is a national cultural issue in the Balkan region and has been a permanent obstacle to economic growth, governance and social stability. The impact of corruption is acute in this area, being correlated with a culture of consumption and structural economic dysfunctions, thus reinforcing the perception that corruption acts as a dominant destructive force. For South-Eastern Europe, the 2024 CPI highlights a score that hovers around the global average (Figure 3), but which reveals fragile democracies and persistent corruption, on a stagnant and worsening trend compared to 2012. (scale from 0 to 100, where a lower score indicates higher corruption).

Country	IPC 2024 (Rank)	Global Average (2024)	General Trend (from 2012)
Grecia	49 (59)	43	Stagnation/Deterioration
Croația	47 (63)	43	Stagnation/Deterioration
Muntenegru	46 (65)	43	Stagnation/Deterioration
România	46 (65)	43	Stagnation/Deterioration
Kosovo	44 (73)	43	Stagnation/Deterioration
Bulgaria	43 (76)	43	Stagnation/Deterioration
Albania	42 (80)	43	Stagnation/Deterioration
Macedonia de Nord	40 (88)	43	Stagnation/Deterioration
Serbia	35 (105)	43	Stagnation/Deterioration
Bosnia și Herțegovina	33 (114)	43	Stagnation/Deterioration

Figure 3: Corruption index score in Southeastern European countries
Source: https://rb.gy/zp5lp5

The fourth indicator, in our opinion, refers to economic growth. Very important in strategic planning at the company level, the level of economic growth is the combined result of the state macroeconomic policy, the pace and value of inflation, the degree of political stability and the efficiency of the governing act. In the Balkans, economic growth is forecast to have a more modest pace in 2025 compared to the dynamics of the last 3 years (approx. 3% - figure 4) due to weaker external demand, increased uncertainty in the area of global trade, as well as the limitation of transactions with the Russian market area to which is added weak overall economic competitiveness, high unemployment values and a flow of emigration at rates unfavourable to the national economies.

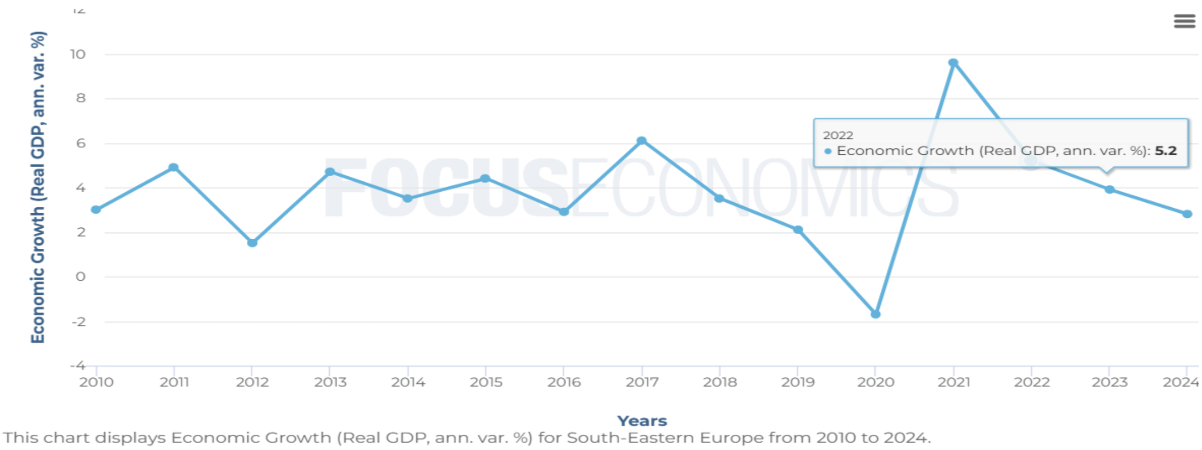

Figure 4: Evolution of economic growth in Southeastern Europe
Source: https://rb.gy/0l7xbo

Another relevant indicator from an economic and managerial point of view is represented by the exchange rate of national currencies. In this context, it should be noted that some countries already use the EURO as their national currency (Greece and Croatia – official adoption, Montenegro and Kosovo – unilateral adoption), and the other countries are at different stages of the transition process to the European currency. A situation that is at least paradoxical is noticeable: currency stability coexists with a deterioration in governance. Looking at the figures with the evolution of the exchange rate, one can observe a relative stability of most national currencies against the Euro, but based more on central bank policies or "currency board" arrangements and less on sustainable economic results. Thus, we are dealing with a predictability of the exchange rate in the short term and a fragility in the long term, conditions that can create pressure on national currencies and could question the development of the process of real convergence with the EU.

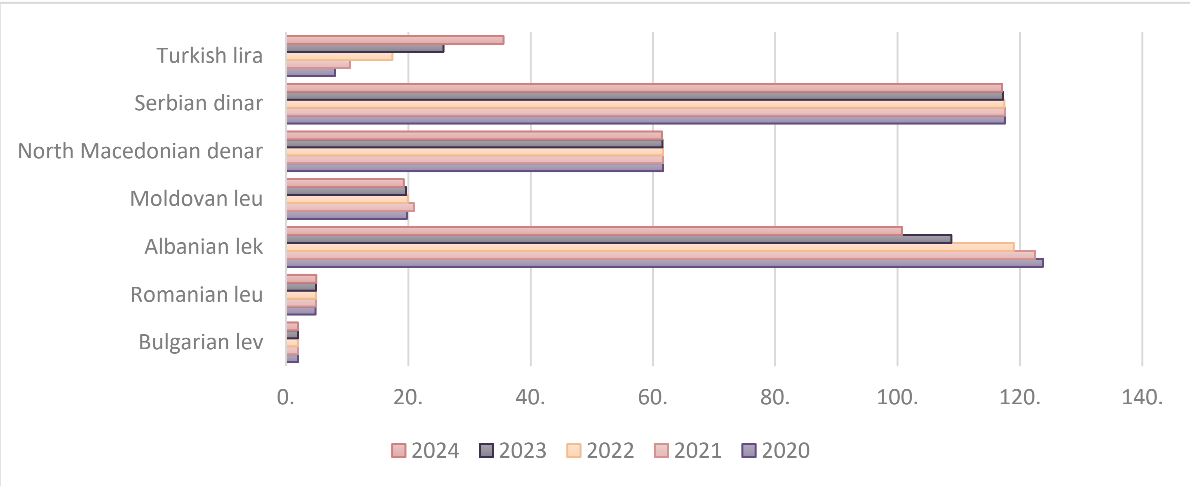

Figure 5: Exchange rate evolution for currencies of some countries in South-Eastern Europe
Source: EUROSTAT https://rb.gy/j7jgnv

Although the detailed analysis of the geostrategic context of the South-Eastern Europe area presents many more facets and factors, we will focus our research on one last indicator, namely, the level of integration of artificial intelligence (AI) into economic activities, as a process of digitization of companies and public institutions. The opinions of both theorists and practitioners are unanimous that AI represents a unique opportunity to increase the competitiveness, innovation and productivity of businesses, as well as the development of society in its entirety.

Country	Innovatin Index 2024	Global Rank
Turkey	39	25
Bulgaria	38.5	26
Croatia	36.5	29
Greece	36.2	30
Romania	33.4	32
Serbia	32.5	33
North Macedonia	29.9	34
Muntenegro	28.9	37
Bosnia and Herzegovina	25.5	39
Albania	24.1	40

Figure 6: Innovation Index 2024 according to the World Intellectual Property Organization (WIPO) for countries in South-Eastern Europe
Source: https://rb.gy/8o0mwh

However, although Central and South-Eastern Europe has a higher density of information and communication technology (ICT) firms and a higher share of ICT employment compared to Western Europe (3.9 ICT firms per 1,000 inhabitants versus 2.1; 4.8% of ICT employees versus 4.1%) [5], the region lags behind in terms of overall digital transformation and the adoption of advanced technologies, including AI, as measured by the Global Innovation Index 2024 (which highlights progress as well as challenges in four sub-domains of the innovation process: investment in science and innovation, technological progress, technology adoption, and the socio-economic impact of innovation) presented in Figure 6.

While the above list of indicators is not exhaustive, we believe that the current geostrategic context of the South-Eastern region of Europe is marked by a rather pronounced dynamic, generated by longer or shorter geopolitical events, irreversible economic, social and technological transformations or the emergence or end of certain types of crises with repercussions at local or regional level.

3. Management Implications Generated by the Specificity of the Geostrategic Context of South-Eastern Europe

First of all, we believe that the era of segmented or unidirectional management has ended and, regardless of the area of action of an organization, the new managerial direction must be multidirectional, with an emphasis on the explicit and clear prioritization of the risks to be assumed in relation to geopolitical or governance instabilities, on discovering opportunities in emerging economic areas and by capitalizing on the solutions offered by digital transformation. One of the strategic directions for any organization must be the development and protection of human capital to a degree directly proportional to the attraction and integration of AI in specific activities, for sustainable growth and high competitiveness.

In close connection with the indicators analyzed in the previous subchapter, we consider the following types of actions to be realistic and viable at the management level of any organization in this European area:

a) *distinct assessment of geopolitical risk and country risk*. Strategic planning necessarily considers the analysis of the organization's external environment, but it must be expanded in terms of scope, as active monitoring of regional and global tensions, trade policy changes or supply chain vulnerabilities can help to detail realistic and viable action alternatives, with a focus on critical energy and raw material resources. Thus, organizations can strengthen their resistance to unforeseen changes of a geopolitical nature, given the global degree of interconnection of markets.

b) *the use of extended Due Diligence analyse*s in issues related to the level and extent of the corruption phenomenon, the full or restricted manifestation of political and civil liberties, respect for the rule of law, the implementation of contracts, property rights and/or the materialization of risks of political interference in the field of economic relations in the market. The mission of any manager is to create an ethical, pro-performance environment within the organization, which must support its proper functioning, even in conditions of contradiction with an unhealthy external environment in terms of level of compliance with legality.

c) *promoting a diversified strategy for managing the exchange rate*. The natural approach to protecting against large fluctuations in the exchange rate is to develop currency hedging actions in order to achieve adequate profit margins, as well as to maintain the value of the organization's assets. As for countries de facto anchored to the Euro currency or members of the Euro Zone, currency risk can be managed through classic methods of prevention or management.

d) *diversifying the marketing of products on markets* proportional to their economic growth potential. The current evolution of economic growth indicators demonstrates that this phenomenon is differentiated on levels: national, regional and global. Thus, a diversified strategy can provide a development framework as natural as possible for any organization, if market segments with growth prospects over a longer period of time are pursued, even if the growth rate is moderate. We consider it more important for a company to be present in a developing market than to "fight" with fierce competition in a mature market.

e) *making investments in the digitalization of processes and integrating AI into the portfolio of specific activities*. Although it is not an action within the reach of everyone, both from the perspective of costs and the level of adaptation of an organization's functioning to the requirements of using new digital/automatic/autonomous technologies, any organization that postpones "attacking" this process will suffer, sooner or later, irreparable losses. Digitalization and automation, as processes, converge towards supporting the growth of an organization's productivity and will certainly contribute to a much faster amortization of investments in this area. Moreover, the current trend is that AI is integrated directly into the structure of products and services, which means that even production processes can no longer be carried out without this technology, with direct effects on the company's level of competitiveness.

4. Conclusions

Management and related processes are directly influenced by the dynamics of an organization's external environment. The current context is multidimensional and highly unpredictable, which leads to difficult decisions, some of them even erroneous. The South East Europe area presents a reasonable potential for growth even though it is a complex environment, characterized by a relative geopolitical instability and differentiated rhythms of economic and digital development. But always, and irrespective of the level of uncertainty, management has relied on a fairly significant margin of courage and intuition, which goes from the figures and facts of the present to a sufficiently unknown future.

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