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NOTES FROM THE EDITOR-IN-CHIEF



Dear authors,

The JEBR has yet attracted an international readership that is primarily academic. The concept of the Journal is such that it gives the advantage to multidisciplinary approach to various subjects linked to the globalization and resilience issues.

It also emphasizes publishing of the scientific papers, which have an empirical and a research character. Moreover, there is also the place in the Journal for quality theoretical papers as well, reviews of the latest publications of national and international significance and scientific critiques and discussions.

The objective of JEBR is to publish up-to-date, high-quality, and original research papers directly related to the concept of the Journal. The articles are accepted for publication only after receiving consent from two independent reviewers followed by Editors permission. Editor-in-Chief holds the final decision in any case.

In addition, we ask authors to quote papers from our journal properly, as well as to send us the papers that have not been published yet. The responsibility for plagiarism is solely of the author.

Regarding the actual situation influenced by wars and energy crisis, we especially invite you to write about how the crisis has affected the resilience of businesses globally. November 2023.

Yours,

Editor in Chief

Acad.Prof. Dr. Mirjana Radović-Marković

A handwritten signature in black ink that reads "prof. dr. Mirjana Radović-Marković".

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SCIENTIFIC REVIEW

**A THEORETICAL REVIEW OF
ORGANIZATIONAL RESILIENCE:
CONTRIBUTIONS AND SCOPE CONDITIONS**

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ABSTRACT

Studying resilience from different aspects involves examining it from various perspectives and disciplines. Theories of resilience are essential for improving our understanding of human and organizational adaptation and guiding efforts to enhance resilience at the individual, community, and societal levels, ultimately contributing to better mental health, disaster preparedness, and overall well-being. The aim of our literature review is to investigate resilience in the context of workplaces and organizations, including how leaders and management can foster resilience among employees.

Keywords: resilience, organizational theory, workplaces, organizations, employees

JEL classification: L29, H12

INTRODUCTION

Studying resilience from these diverse perspectives can provide a holistic view of how individuals and communities adapt and thrive in the face of adversity. Researchers from various fields, including psychology, biology, sociology, and more, contribute to our understanding of resilience from these different angles.

Theories of resilience are important for several reasons, such as following:

- **Understanding Human Adaptation:** Resilience theories help us understand how individuals, communities, and societies adapt and bounce back from adversity, such as trauma, stress, or challenging life events. This knowledge can inform strategies to enhance people's ability to cope with difficulties.

- **Informing Interventions:** Resilience theories provide a framework for designing interventions and support systems that promote resilience in individuals and communities. By identifying protective factors and processes, interventions can be tailored to enhance these factors and build resilience.
- **Mental Health Promotion:** Resilience theories contribute to mental health promotion by highlighting the role of psychological, social, and environmental factors in mitigating the impact of stressors. This can lead to strategies for preventing mental health issues and promoting well-being.
- **Risk Reduction:** Understanding resilience is crucial for risk reduction and disaster preparedness. By identifying factors that make individuals and communities more resilient, we can develop strategies to reduce vulnerabilities and minimize the negative effects of disasters and crises.
- **Policy Development:** Resilience theories can inform policy development in areas such as public health, education, and social services. Policies that support the development of resilience can lead to more robust and adaptive societies.
- **Research and Measurement:** Resilience theories provide a basis for research and measurement. They enable researchers to study and assess resilience factors and processes, which can lead to a better understanding of how resilience works and how it can be enhanced.

The aim of our literature review is to investigate resilience in the context of workplaces and organizations, including how leaders and management can foster resilience among employees.

THE PROMINENT THEORIES ON RESILIENCE

Over the years, many theories and models have been developed to help understand the concept of resilience. Some of the prominent theories on resilience include:

- Maddi's theory [1] emphasizes the importance of resilience in the face of stress and adversity for both managers and entrepreneurs. He believed that individuals with a high level of resilience are better equipped to handle the challenges and uncertainties that come with their roles, and are more likely to thrive in difficult situations. Maddi's research on resilience has been influential in fields such as business, psychology, and health.
- The Bronfenbrenner's bioecological theory [2] suggests that resilience is influenced by the interactions between an individual and their environment. It emphasizes the importance of supportive and nurturing environments, such as family, schools, and communities, in fostering resilience.
- The developmental systems theory developed by Masten [3] posits that resilience is the result of complex interactions between biological, psychological, and environmental factors over the course of an individual's lifespan. It emphasizes the importance of individual strengths and positive coping strategies in promoting resilience.

- The social cognitive theory developed by Bandura [4] emphasizes the role of cognitive and behavioral processes in shaping resilience. It suggests that individuals with strong self-efficacy, the belief in one's ability to cope with challenges, are more likely to exhibit resilience.
- In the positive psychology theory Cohn, Fredrickson, Brown, Mikels, and Conway [5] emphasize the importance of positive emotions, such as hope and optimism, in promoting resilience. This theory suggests that individuals who focus on their strengths and positive experiences are better able to cope with adversity and bounce back from challenging experiences.
- The cultural resilience theory Clauss-Ehlers [6] emphasizes the role of cultural beliefs, values, and practices in promoting resilience. She suggests that individuals who maintain a strong connection to their cultural identity and traditions are better able to navigate and overcome adversity. Overall, these theories highlight the complex and multi-dimensional nature of resilience and provide insights into the factors that contribute to its development and maintenance.

STUDY OF RESILIENCE FROM ORGANIZATIONAL ASPECT

Resilience in organizations refers to their ability to withstand and adapt to challenges, disruptions, and change. Here are key aspects of studying resilience from an organizational perspective:

- i. **Risk assessment:** Analyze the risks and vulnerabilities that organizations face, such as economic downturns, natural disasters, or cyberattacks. Understand how these risks can impact operations and performance.
- ii. **Adaptive Capacity:** Study the organization's ability to adapt and respond to unexpected events. This includes examining leadership, decision-making processes, and the flexibility of structures and systems.
- iii. **Crisis Management:** Investigate the organization's crisis management strategies, including incident response plans, communication protocols, and the allocation of resources during a crisis.
- iv. **Learning and Improvement:** Assess how organizations learn from past incidents and use that knowledge to improve resilience. This involves examining post-incident reviews and feedback mechanisms. **Culture and Leadership:** Explore the role of organizational culture and leadership in building resilience. A culture that encourages open communication and innovation can enhance an organization's ability to adapt.
- v. **Technology and Infrastructure:** Analyze the role of technology and infrastructure in organizational resilience, including IT systems, supply chain management, and redundancy measures.
- vi. **Human Capital:** Consider the importance of a skilled and motivated workforce in building resilience. Employee training, cross-training, and succession planning can all contribute to resilience.

- vii. Collaboration and Partnerships: Examine how organizations collaborate with external partners, such as suppliers, government agencies, or industry associations, to enhance resilience.
- viii. Measuring Resilience: Develop metrics and key performance indicators (KPIs) to assess an organization's resilience. This can involve both qualitative and quantitative measures.
- ix. Case Studies: Analyze real-world case studies of organizations that have demonstrated resilience in the face of adversity. Identify best practices and lessons learned.
- x. Continuous Improvement: Emphasize the importance of ongoing assessment and improvement in building and maintaining resilience. Resilience is not a one-time achievement but an ongoing process.

ORGANIZATIONAL THEORIES OF RESILIENCE

Organizational theories of resilience focus on how businesses and institutions can adapt, recover, and thrive in the face of disruptions and adversity. Some key theories and concepts include:

Dynamic Capabilities Theory: This theory suggests that organizations can build resilience by developing dynamic capabilities, which are the ability to sense, seize, and reconfigure resources and competencies in response to changing environments. Authors showed how dynamic capability combines with prior theories to explain competitive advantage in different industry contexts. [9].

Resource-Based View: It emphasizes the importance of a firm's resources and capabilities in building resilience. Organizations should have valuable, rare, and non-substitutable resources to adapt effectively [10- 12]

Complex Adaptive Systems Theory: This theory views organizations as complex, adaptive systems that can self-organize and evolve to cope with shocks and uncertainties. It emphasizes flexibility and adaptability. In addition, it explores the nature of interaction and adaptation in such systems and how they influence such things as emergence, innovation, and fitness [13].

Resilience Engineering: This approach focuses on understanding how organizations can anticipate, respond to, and recover from unexpected events. It often involves studying high-risk industries like aviation and healthcare to learn from their practices. According to Paulo Victor R. de Carvalho and al. [14] „resiliency is generally defined as the inherent capability of a system to adapt and maintain its functionality when faced with disruptions and unforeseen alterations“.

Sensemaking and Weick's Theory: Karl Weick's theory of sensemaking [15, 16] highlights the importance of how organizations interpret and make sense of crises. Effective sensemaking can lead to more resilient responses.

High Reliability Organizations (HROs): HRO theory suggests that some organizations, such as nuclear power plants or aircraft carriers, maintain high levels of reliability and resilience through a commitment to safety, mindfulness, and continuous learning. Namely, the HRO theory provides insight into adaptive organisational forms for complex environments [17].

Cybernetics and Feedback Loops: Cybernetic theories [18] explore how organizations can use feedback loops to adapt and self-regulate in response to disruptions, similar to how a thermostat controls temperature.

Adaptive Cycle Theory: This theory draws from ecological concepts and describes how organizations go through phases of growth, conservation, release, and reorganization [19, 20]. Understanding these cycles can aid in building resilience.

Resilience as a Cultural Attribute: Some theories focus on the role of organizational culture in resilience [21,22,25]. A culture that encourages open communication, learning from failures, and adaptability can enhance resilience.

Network Theory: Organizations can build resilience by creating and leveraging networks of partners, suppliers, and stakeholders. These networks can provide support and resources during disruptions [24] .

These theories and concepts provide different perspectives on how organizations can enhance their resilience, and their applicability may vary depending on the specific context and industry.

CONCLUSION

Organizations today should rapidly adapt to business environment dynamic changes. In this context, in order to achieve success organizations should think and act outside the traditional framework [7]. This implies using new knowledge in the application of the best practical experience, as well as the experience of other organizations which are involved with the same or similar services. In line with this, successfully managing diversity is increasingly recognized as an imperative for the contemporary business world. In this context, managers might find themselves in foreign assignments; managing a workforce that differs in needs and attitudes. In line with this, managing global companies poses many opportunities and challenges for the leadership of the company. Namely, resilience begins with enterprise leadership setting the priorities, allocating the resources, and making the strategic decision to establish organizational resilience throughout the enterprise.

Boosting resilience to the risks of economic, social, and environmental shocks should be a top priority and goal. It requires a defensive resilience posture, consisting of recovery, hardening and redundancy – that are widely recognized as vital ingredients for successful business continuity plans. Those organizations that are highly resilient are therefore more adaptive and able to respond rapidly to unforeseen change. Also,

based on our research [7],[8], the winners in changeable business environment will be the unbridled firms that are responsive to challenges and adroit in both creating opportunities. Future research is needed to clarify how organisations develop their capabilities and resources to achieve positive outcomes in the face of challenges.

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ORIGINAL SCIENTIFIC PAPER

CLIMATE CHANGE EFFECTS ON LIVELIHOOD RESILIENCE OF HAOR PEOPLE IN MONHANGANJ UPAZILLA

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ABSTRACT

Bangladesh is widely recognized as one of the most climate vulnerable countries in the world. The study analyzed the effects of climate change and explores prevailing adaptation strategies taken by haor famers at locale level. This study aims to document the impact of climate on the livelihood and food security of Haor farmers and identify relevant forces and factors contributing to it and identify appropriate adaptation policies and programs that support the most vulnerable and food insecure communities affecting the lives and livelihoods of Haor area Primary data were collected through field visit, questionnaire survey, FGD and KII. A purposive random sampling method was applied for selecting 60 from different households in 8 villages located in and around Diggaputa Haor at Mohonganj Upazilla. Data has been presented mostly in the tabular form, some statistical measures like average, percentage, ratios, and regression analysis calculated to arrive at expected findings. Home stead area is the highest (12.5%) in

Etniyakhalipur compared to others areas. Cultivated land and pond area is highest around 66.7% and 28.9% in Pabui. Also, the average farm size and annual income of Pabui respondent is greater than other respondents which is 143.3 decimal & 93% from agricultural crop production. Other respondents are affected by climatic hazards like flood plains, cyclones, drought etc. That's why, most of the respondents are dependent on various sources like livestock and poultry, fisheries, business, labour and others. It has been observed from interview data that flood (100%) is the major factor affecting agricultural productivities in the haor area whereas drought, cyclone and others is 80%, 80% and 60% respectively. Also, perception of food consumption and food insecurity in terms of seasonal deficit especially dry lean periods is 100%. After natural disaster, the access of food is 100% and pure drinking water from tube-well (100%), Pond water (40%), Rain water (80%) which causes various kinds of water borne disease. According to case study, it has been observed that natural disasters have negative effects on their family income where around 60% said during the last five years natural disasters occurred 3-5 times around the years. Compare to degree of suffering natural disasters, it has found that the degree of suffering before natural disaster in extreme and moderate level was 80% and 20% respectively and now the degree of suffering after natural disaster is extreme level (100%) which proves that climate change affects Haor people's livelihoods. In the perception level of flood as a phenomenon of climate change of the selected communities is 100% which cause 20% respondents to change in crop calendar and 40% population to switching their job. Due to flood, the selected community are affected by property loss, diseases and changing crop production pattern. The second perception level is cyclone and potable water crisis which is around 80%. Cyclone has devastating effect on the communities which make their lives more vulnerable along with floods. Due to cyclone, 60% respondent has repaired/reconstructed their house. Due to heavy rainfall sometimes, the poor people have to repair/reconstruct their house (40%) and most of the respondent follow the weather forecast around 60% as a adaptation strategies. It has been recorded that due to drought as a vulnerability context, the migration level is around 20%.

Keywords: climate change, livelihood, haor area, resilience

JEL classification: Q54

BACKGROUND OF THE STUDY

Due to its geographical position, high population density and poverty, low capacity for adaptation and mitigation, Bangladesh is the most susceptible country to climate change with other developing countries in South Asia (Mirza 2002; Dastagir 2015; Alam et al. 2018). Climate change may affect people differently based on their livelihoods and socioeconomic status (Kabir & Serrao- Neumann 2020). According to the World Risk Report 2012, Bangladesh ranked fifth out of 173 countries to natural hazards and the vulnerability of societies (Joarder & Miller 2013). Mostly the riverine households of Bangladesh are at high risk of negative impacts of climate change and experience extreme events such as drought, flood, tropical cyclones, and storm surges every year (Alam et al. 2017). These events have killed thousands of people and destroyed homes and livelihoods. The prolonged flood events push thousands of people to become homeless and they lose their homestead and croplands (Saha 2017). Also, in riverine areas of Bangladesh, frequent floods pose a different threat to food security by rice crop damage which ultimately impacts both the country's food security and economy.

Due to flash floods, crops are destroyed every year in the northeastern haor region. Although the riverine haor areas are much more fertile land for agricultural production, these areas are relatively poor compared to the rest of the country (Md. Shajahan, 2022, Md. Shajahan & Radović-Marković, 2023). There are many reasons attributed to it such as the production of the single crop throughout the year, seasonal unemployment, flood, other natural disasters, lack of communication and other infrastructure facilities, employment opportunities, lack of due attention on the part of the government, and other service providers (Nowreen et al. 2013).

The availability of safe drinking water, particularly in Bangladesh's hard to reach areas such as haor area is expected to worsen as the country experiences the effects of climate change. About 28 million Bangladeshis, or just over 20% of the population, are living in harsh conditions in the "hard-to-reach areas" that make up a quarter of the country's landmass. People living in hard-to-reach areas are often vulnerable to natural calamities like flooding, riverbank erosion and siltation (WHO, 2010). Approximately 80% of communicable diseases in the world are water-borne. The availability of safe drinking water, particularly in Bangladesh's hard to reach areas, is expected to worsen as the country experiences the effects of climate change. As a result of climate change, drought in Bangladesh's haor areas during dry season has increased, causing a lack of sweet water. Women in haor areas need to go miles to collect a pitcher of safe drinking water (Rani et al, 2011).

Nowadays, most of the households have now become accustomed by taking some steps in different events like floods and heavy rainfall. Therefore, exploring adaptations associated with local-level knowledge is regarded as an important adaptation strategy for people to deal with an extreme climatic event. So far only a few studies have been conducted to identify the impacts of climatic events, the reason of happening such events, adaptation strategies especially adopted by local people, and how it can be mitigated through building local awareness. The future of the riverine haor people of

Bangladesh relies upon the improvement and disaster management policies of the responsible government and on the regional cooperation and international effort fighting climatic dangers. Therefore, climate change is followed by a significant unpredictability of the new local conditions and vital that initiatives for better climate adaptation.

Objectives of the Study

1. To investigate the factors behind which is responsible to change the patterns of livelihood strategies due to climate change
2. To assess climate change, risks and adaptations approaches among farmers in Haor region
3. To analyze climate change, risk, and adaptations, approaches in terms of gender issues

This finding will be useful for analyzing such vulnerabilities in future research work that will establish the climate change impacts interconnectedness. Clearly, identifying order of the impact constitutes an important component of climate world vulnerabilities analysis, because it can help in identifying the level of vulnerability, when it is showed from end point of consequence, considering vulnerability on a long-term basis is the best approach to developing the results of the local communities against climate, natural hazard, and the research with considered a positive window of opportunity, created by the climate impact, such as the creation of a new institutions, stronger social networks and other positive transformations, in its analytical framework.

LITERATURE REVIEW

Shamsur R et al. (2017) investigated the drinking water quality parameters from different sources (tube-wells and haor) and hygienic conditions of people living around the Dingaputha haor area of Netrokona District. It was found that the levels of DO, pH, EC, TDS, NO₃- from both tube-well and haor water were within or near to standard level for drinking (ECR, 1997) and the levels of BOD, Phosphorous from both tube-well and haor water exceeded the standard level for drinking slightly. The Arsenic and Iron concentration of tube-well water exceeded the standard level for drinking extremely (WHO, 2003). The highest number of Escherichia coli bacteria was found in haor water due to open toilets nearby haor and the lowest number of Escherichia coli bacteria was found in tube-well water of Magan-Siader Union both of which exceeded the standard for drinking (EPA, 1996). It was also observed that about 82.5 % people had access to tube-well water for drinking and 17.5% people had no access to tube-well water for drinking. The hygienic condition of Digaputha haor area of Netrokona District was very poor. The distances between tube-well and toilet were very near to each other and the open hanging toilets nearby haor were also found. People using contaminated tube-well water for drinking and haor water for cooking were infected with various water borne diseases such as diarrhoea, cholera, typhoid, liver diseases (Cirrhosis, Cancer), skin disease etc.

Islam et al. (2020) found that 65% fishers were involved in permanent fishing activity and 35% fishers were temporarily involved in fishing with other occupation as daily labour, net making etc. A very few empirical research on the impacts of climate change in Kishoreganjhaor had been conducted, so researcher and policy makers could get information about the concern by that study and implement policy for the climate change induced affected people of the Kishoreganjhaor.

Raihan F & Hossain MM (2021) addressed the livelihood vulnerabilities and adaptation strategies in response to the climate change issues based on empirical evidence from wetland communities using the livelihood vulnerability index (LVI) in Tanguar haor, located in Sylhet, Bangladesh. The finding shows that people of the study area are switching their formal livelihood activities into alternative sources. Crop diversification, homestead gardening, erosion proofing, and cage aquaculture are commonly used by the studied communities to adapt to climate change impacts. The main driver of vulnerabilities was found to be lack of education, underdeveloped infrastructures, lack of advanced health facilities, and lack of alternative livelihoods during extreme events. Therefore, people living in and around the haor region need special consideration. Overall, the study suggested that policy or institutional arrangements are required to promote the better governance system for local communities to improve their living standard so that they can achieve resilience to the impacts of climate variability and change in this area.

THEORETICAL FRAMEWORK

The concept of ‘Sustainable Livelihoods’ constitute the basis of different ‘Sustainable Livelihood Approaches’ (SLA) and has been adapted by different development agencies such as the British Department for International Development (DFID). The DFID has developed a ‘Sustainable Livelihood Framework’ (SLF) which is one of the most widely used livelihoods frameworks in development practice. The SLF was integrated in its program for development cooperation in 1997.

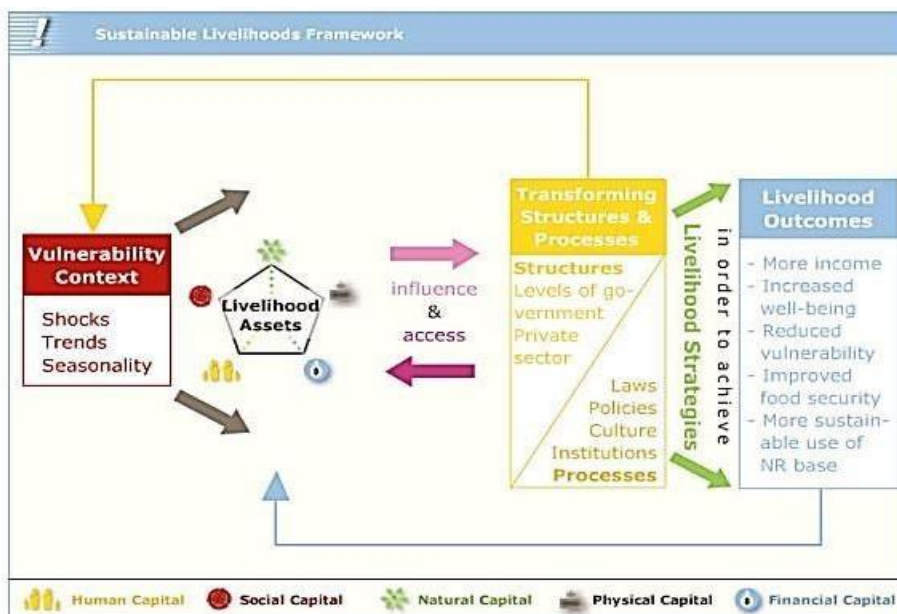
DFID adapts a version of Chambers Conway’s definition of livelihoods: “A livelihood comprises the capabilities, assets and activities required for a means of living. A livelihood is sustainable when it can cope with and recover from stresses and shocks and maintain or enhance its capabilities and assets both now and in the future, while not undermining the natural resource base.” (DFID, 2000) DFID has begun to make use of livelihoods approaches in project and program planning and in monitoring and review of existing activities.

A first step is to understand the livelihoods of the poor, namely conducting livelihood analysis. The livelihood analysis will be the basis for planning, prioritizing and eventual monitoring. There is no designed sequence for livelihood analysis, nor has DFID developed particular tools for such analysis. The stress is GLOPP, 2008 2 on using the best of existing tools for the given circumstances. There is, however, a distinct DFID SL framework (see below) that provides an organizing structure for analysis. The SLF is the core of the Sustainable Livelihoods Approach. The Framework used can be

understood as a tool or checklist to understand poverty in responding to poor people's views and their own understanding of poverty.

In a nutshell, the main elements of the SLF can be summarised as follows:

“...The framework depicts stakeholders as operating in a context of vulnerability, within which they have access to certain assets. Assets gain weight and value through the prevailing social, institutional and organizational environment (policies, institutions and processes). This context decisively shapes the livelihood strategies that are open to people in pursuit of their self-defined beneficial livelihood outcomes.” (Kollmair et al., 2002).



Source: DFID (2000)

METHODS AND TECHNIQUES OF THE STUDY

A socioeconomic study usually requires selection of an area for collection of data in accordance with the objectives set for the study. Selection of the study area is an important step in such a study. To achieve the objectives of the present study, a preliminary survey was conducted in Haorarea of (Dinaggaputa Haor) Netrokona district to understand the broad socio-economic characteristics of the respondents.

In a sample survey, a subset of populations called sampling frame was prepared and required data was collected from the frame. Hoar agricultural and fish collector was selected as a sample unit under Netrakona district. Memory recall method was used. Population list was collected through district or up a zila office of haor farmers among

them, 5 case studies was done in Netrakona District.

For the study, the primary data was collected through personal interviews with selected farmers. Data were collected in August 2022. In order to obtain reliable data, the research team was stayed at Hoar area to observe the situation and livelihood Stahl true ethnographic observation.

The service schedule was carefully prepared to record the record data on various aspect of the study. In conformity with the objectives of the study in draft survey schedule was prepared in a such way, that factors associated with climatic observations and livelihood of the farmers at whole area of selected District. In the pretest, survey attention was paid to inclusion of any new information, which was included in the draft schedule. The drop schedule was improved, rearranged and modified in the light of the actual and practical experiences. After making necessary adjustments and final survey schedule was developed in a logic sequence collection of Data:

The farmers were interviewed at their leisure time so that they could give accurate information in a cool mind. Before information regarding the nature and the purpose of the study was made to the farmers before actual interview. An introductory visit was made in which that aims and objectives of the study was explained to the sample farmers in order to ensure cooperation from the correspondent. Questions was asked systematically and explain was made whenever it was felt necessary. In order to minimize your data was collected in the local units and language. This was subsequently converted into appropriate standard limits. The secondary data was collected from the research documents.

All the collected data was checked and cross-checked before transferring to the master sheet. Therefore, this was classified delete it, and analyzed to accomplish a specific of the objectives of the study. The impact of the climate change on livelihood was examined by making before, and after experience of a natural disaster or climatic hazards. Data was presented mostly in a tabular form, some statistical measure like average, percentages was calculated to arrive at expected findings MS excel was used to analyze quantitative data. results and discussion:

Pattern of Land ownership and Income distribution of respondent household

Homestead area is the highest (12.5%) in Etniyakhalipur compared to others areas. Cultivated land and pond area is highest around 66.7% and 28.9% in Pabui. Also, the average farm size and annual income of Pabui respondent is greater than other respondents which is 143.3 decimal & 93% from agricultural crop production. Other respondents are affected by climatic hazards like flood plains, cyclones, drought etc. That's why, most of the respondents are dependent on various sources like livestock and poultry, fisheries, business, labour and others.

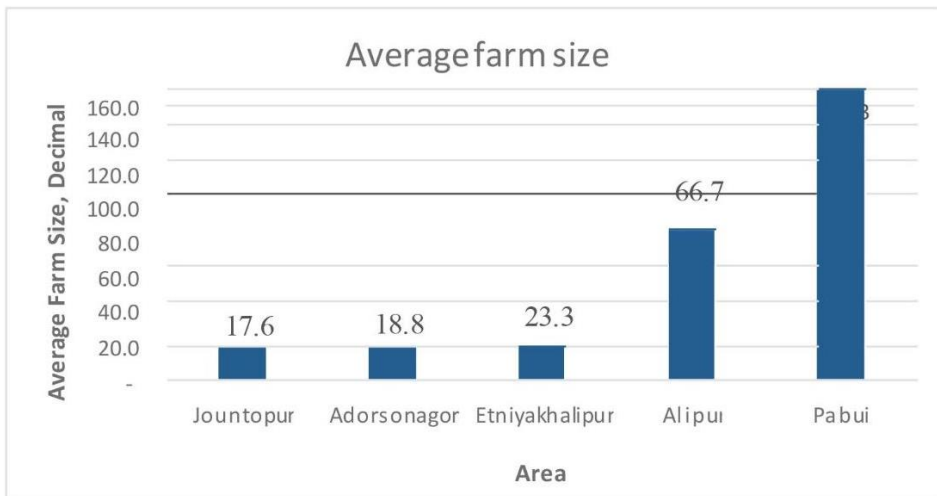
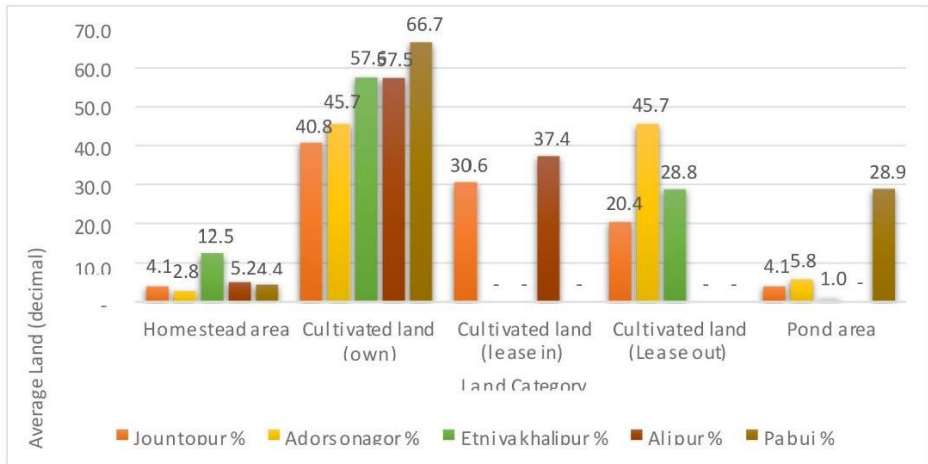


Figure 1: Pattern of land ownership

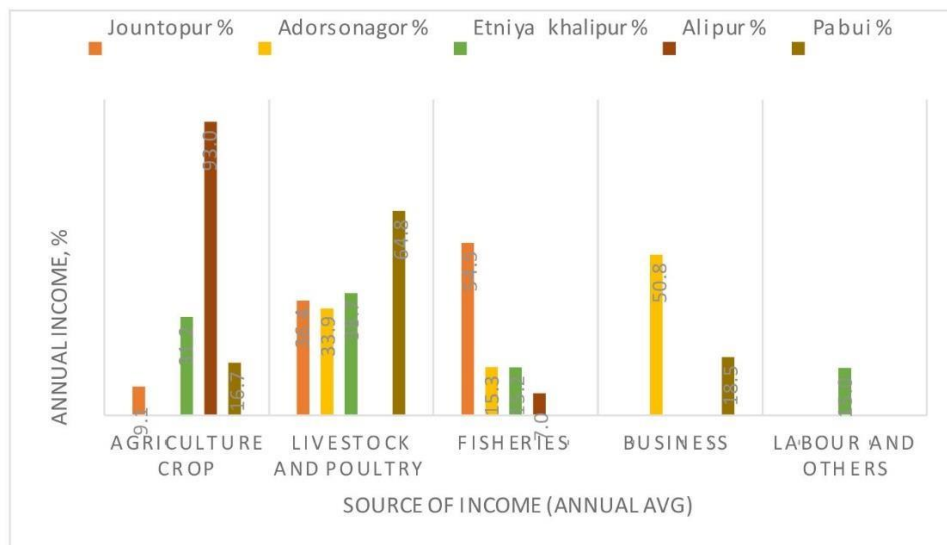


Figure 2: Income distribution of respondent household

CLIMATE CHANGE AND FOOD INSECURITY OF HAOR PEOPLE

It has been observed from interview data that flood (100%) is the major factor affecting agricultural productivities in the haor area whereas drought, cyclone and others is 80%, 80% and 60% respectively. Also, perception of food consumption and food insecurity in terms of seasonal deficit especially dry lean periods is 100% as per data shown in table 1. After natural disaster, the access of food is 100% and pure drinking water from tube-well (100%), Pond water (40%), Rain water (80%) which causes various kinds of water borne disease.

Table 1: Climate Change and food insecurity of haor people

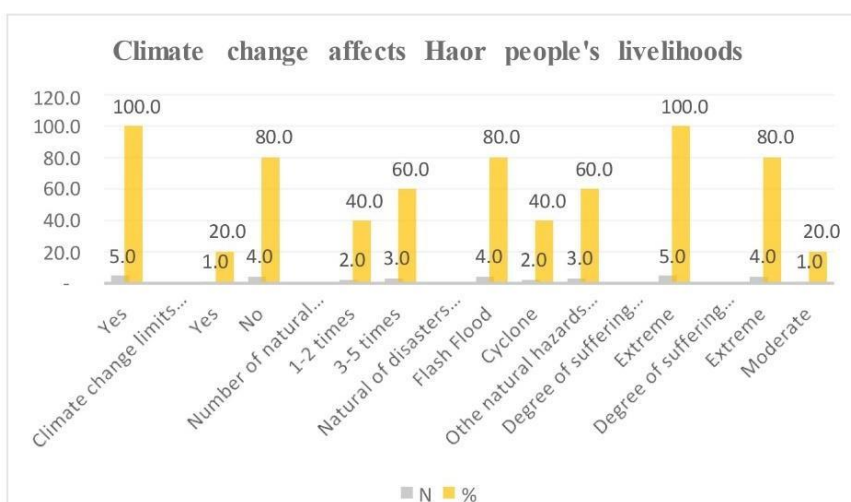
Climate change affects agricultural productivities	N	%
Problems of crop productivities		
Yes	60.0	100.0
No	-	-
Factors affecting agricultural productivities		
Soil Erosion	-	-
Drought	45.0	75.0
Flood	60.0	100.0
Cyclone	40.0	67.0
Others	30.0	50.0
Perception of food consumption and food insecurity		
Deficit of food through whole year	42.0	70.0
Seasonal deficit especially dry lean periods	60.0	100.0
During disaster periods	30.0	50.0
Neither deficit nor surplus	30.0	50.0
Surplus	10.0	17.0
Access of food immediately after natural disasters		
Yes	-	-
No	60.0	100.0
Access of pure drinking water after natural disasters		
Deep tube-well water	60.0	100.0
Pond water	20.0	34.0
Rain water	40.0	67.0

Climate change affects Haor people's livelihoods:

According to case study, it has been observed that natural disasters have negative effects on their family income where around 60% said during the last five years natural disasters occurred 3-5 times around the years. Compare to degree of suffering natural disasters, it has found that the degree of suffering before natural disaster in extreme and moderate level was 80% and 20% respectively and now the degree of suffering after natural disaster is extreme level (100%) which proves that climate change affects Haor people's livelihoods.

Table 2: Climate Change effects on the livelihoods of haor people

Climate change affects Haor people's livelihoods	N	%
Yes	60	100.0
Climate change limits woman's economic activity		
Yes	50	80.0
No	40	80.0
Number of natural disasters occurred during the last five years		
1-2 times	20	40.0
3-5 times	30	60.0
Natural of disasters occurred in the locality		
Flash Flood	40	80.0
Cyclone	20	40.0
Other natural hazards	30	50.0
Degree of suffering after natural disasters		
Extreme	60	100.0
Degree of suffering before natural disasters		
Extreme	40	80.0
Moderate	10	20.0

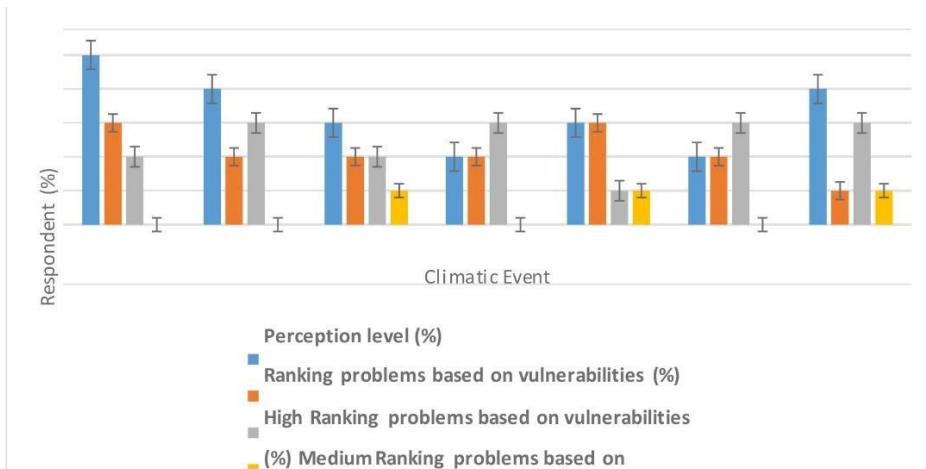


Perception level about different climate problems in Mohanganj haor area:

It is inevitable for the study about climatic problems to cope with the climatic disruption by measuring people’s perception level. It has been observed the various climatic changes that affect the overall livelihood pattern of the selected communities. The perception level about different climatic problems in Dinggaputa Haor are shown in Table -3.

Table 3: Perception level about different climate problems in Dinngaputa Haor

Climatic Problem	Frequency of occurrence/year	Perception level (%)	Ranking problems basedon vulnerabilities (%)		
			High	Medium	Low
Flash Flood	1~2 times	100	60	40	0
Cyclone	1~2 times	80	40	60	0
Heavy Rainfall	3~5 times	60	40	40	20
Strom surge	Throughout the year	40	40	60	0
Drought	1~2 times	60	60	20	20
Water Borne Disease	Throughout the year	40	40	60	0
Potable water crisis	Throughout the year	80	20	60	20



In the perception level of flood as a phenomenon of climate change of the selected communities is 100% which cause 20% respondents to change in crop calendar and 40% population to switching their job in Table- 4. Due to flood, the selected community are affected by property loss, diseases and changing crop production pattern.

The second perception level is cyclone and potable water crisis which is around 80%. Cyclone has devastating effect on the communities which make their lives more vulnerable along with floods. Due to cyclone, 60% respondent has repaired/reconstructed their house. The hygiene condition of Dinggaputa haor is very poor. It has been reported that people using contaminated tube well water for drinking and haor water for cooking were infected with various water borne diseases such as diarrhoea, cholera, typhoid, liver diseases (Cirrhosis, Cancer), skin disease etc. where water borne illness causes 40% perception level.

The frequency of heavy rainfall is 3~5 times over the study area and the perception level is about 60% which is equal to drought, one of the climatic events effects on the selected communities. Due to heavy rainfall sometimes, the poor people have to repair/reconstruct their house (40%) and most of the respondent follow the weather forecast around 60% as an adaptation strategy. It has been recorded that due to drought as a vulnerability context, the migration level is around 20%.

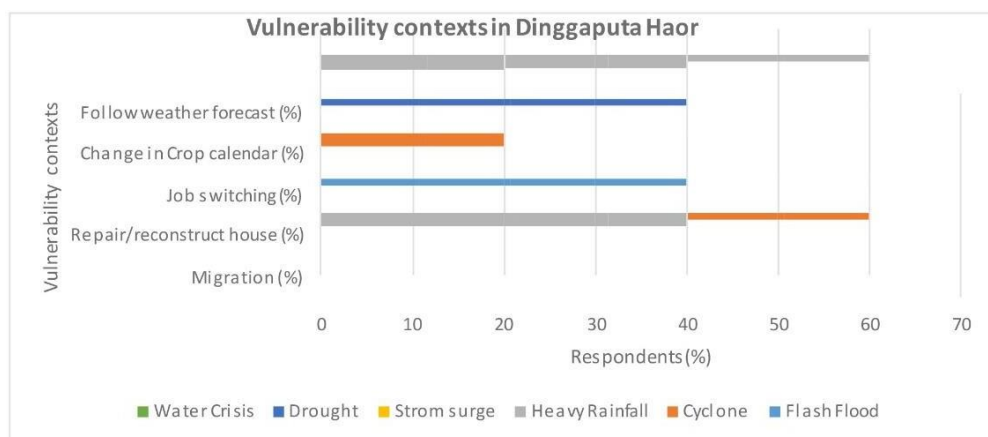
Adaptation Strategies to climate change:

In this study, the perception levels of different climatic problems have been recorded on Table-4 The adaptation strategies to cope up with these climatic events are migration, repair/reconstruct house, job switching, changes in crop calendar, following weather forecast which is shown in Table-4.

Generally, adaptations are felt by the impacted individual, household and community from the needs of adjustments. To avoid food insecurity, adaptation of agricultural sector to climate change is crucial. Farmers may use drought-tolerant crop and implement water saving technologies to cope with climate change as an adaptation strategy.

In a word, needs of adjustments are largely characterized by extent of adverse impacts. It is necessary to understand that most of the climate change induced problems are likely to be exhibited in the form of water-related problems. Since climate change will have severe adverse impacts on agriculture and livelihoods and well-being of the poor will most likely be at risk, a holistic policy approach should be considered.

Vulnerability contexts	Migration (%)	Repair/reconstruct house (%)	Job switching (%)	Change in Crop calendar (%)	Follow weather forecast (%)
Flash Flood			40	20	20
Cyclone		60		20	40
Heavy Rainfall		40			60
Strom surge	20				
Drought	20			40	
Water Crisis	20				



CONCLUSION

The community has become more vulnerable to climate change due to various factors, such as geographical isolation, lack of education, underdeveloped infrastructures, lack of advanced health facilities, lack of awareness, lack of support from local government, and lack of alternative livelihood (Radović Marković, & Grozdanić, 2013). Strengthening and improving the indicator could help to reduce the livelihood vulnerability of these community. Government and nongovernment organizations should take several initiatives like training for income-generating activities, credit or loan facilities should be provided with ease or at a lower rate of interest that can help them to establish various agro-based industries, fisheries, and other sectors for the diversification of their livelihood options.

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ORIGINAL SCIENTIFIC PAPER

THE FOCAL ROLE OF RISK FUNCTION IN BANKS DURING STRESS TESTING AND EFFECTS ON ORGANIZATIONAL PERFORMANCES

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ABSTRACT

One of the risk management tools that enable a better understanding of the bank's risk profile and its resistance to internal and external shocks is stress testing. Bank-level stress tests should be incorporated into the bank's risk management system and include the views of all relevant bank employees with their expert judgments. Through effective, soundness and transparent stress testing (which became one of the regulatory requirements in the jurisdiction of each central bank), banks preventively take insight into the key values of its business in case of emergence of unpredictable and extraordinary events. Such stress testing considers creation of adequate infrastructure in banks and upon the efficiency level of established stress testing program depend the realization of main organizational objectives. Regular conducting of stress testing in predefined frequency as well as its realization within internal capital adequacy assessment process and recovery plan processes in banks lead to effective risk management. In operational terms, the key role for stress testing depends upon risk function and its organization in the bank. Also, stress testing outcomes could lead to

taking further actions in case of emergency in order to provide continuous and sustainable business on long run.

Keywords: *stress testing, risk management, organization, performances, indicators.*

JEL classification: *G28, G32, E58, C80*

INTRODUCTION

Stress testing represents one of key instruments for risk management within the bank. Capital requirements, prescribed by the decisions which regulate bank capital adequacy and bank risk management, as well as the supervisory assessment process, demand that banks take a proactive approach in risk management, strategic and capital planning. Among different tools which banks should use to establish such an approach to risk management is stress testing. Global financial crisis in 2008 showed the shortcomings in the current practice of stress testing. In many cases, stress testing was not sufficiently integrated into the bank's risk management system or did not serve as a basis for management's decision-making. In general, where they were used, the scenarios were not rigorous enough, nor were the interdependencies of events adequately captured. In other cases, concentration risk and its feedback effects were not meaningfully included in the stress testing.

Stress testing is more than a simple capital assessment and is one of the risk management tools that enable a better understanding of the bank's risk profile and its resistance to internal and external shocks. Given the limitations of the methodologies, parameters and data used, as well as the uncertainty of assessments and realization of assumed scenarios, stress testing cannot provide absolute security. That means the bank should use stress testing in combination with other risk management and control tools in order to make business decisions based on quality information. It is not rare situation that some sophisticated risk techniques, such as Value-at-Risk, is used as complementary tool with stress testing in order to obtain comprehensive and valid conclusions [1]. Furthermore, the supervisor should not rely exclusively on the results of stress tests when deciding on the risk profile and capital adequacy of the bank, but should use them in combination with other supervisory tools.

The most quoted definition of stress testing is related to the Basel Committee on the Global Financial System in 2000 where stress testing is described as “a generic term for various techniques used by financial institutions to gauge their potential vulnerability to exceptional but plausible events” [2]. According to Schachter (2004), stress testing is “a method for measuring potential future sudden, negative outcomes in the financial instruments portfolio as well as a tool for relaxation of managers in case of an extraordinary risk exposure” [3]. Conducting stress tests in banks is very useful way for prevention of the vulnerability in global financial systems. Banks use stress testing in order to made attempts for quantifying uncertainty and the level of resilience to unexpected events [4]. However, stress testing is introduced to “measure the resilience

of a financial institution or an entire financial system under different adverse events or scenarios. It estimates what would happen to capital, profit and cash flows of individual financial institutions or the system as a whole if certain risks were to materialise” [5]. This paper is structured in three sections. The first section is committed to the topic of stress testing program creation and description of main characteristics that each stress testing program should contain. In the second section is emphasized the role of risk management function in the bank, because it is a main bearer of operational aspect in stress test conducting. Also, in this section is underlined the role of Executive Board and Board of Directors with their main responsibilities during stress testing program realization. Finally, in the third section is presented the role of stress testing in complex processes of internal capital adequacy assessment process (hereinafter: ICAAP) and recovery plans with described reporting lines and consequences for organizational performances.

FORMATION OF STRESS TESTING PROGRAM

In developing a stress testing program, all banks should consider possible interactions between risks rather than focusing on an isolated analysis of a single risk factor. For this reason, a qualitative approach to reverse stress testing should be applied. Large and more complex banks should have the appropriate infrastructure in place to enable them to conduct a range of different stress tests, from simple portfolio-level sensitivity analyzes to complex bank-wide macroeconomic scenarios. In addition, large and more complex banks should include in their stress testing programs rigorous stress tests at the bank level that cover all significant risks and organizational parts, as well as the interactions between different types of risks.

The stress testing program should include [6]:

- 1) analysis of the bank's overall operations and types of risks, as well as specific elements of the portfolio, types of risks and business lines;
- 2) relationship factors between types of risk;
- 3) stress testing support from the highest to the lowest organizational level and vice versa, including reverse stress testing;
- 4) a flexible platform that enables the modeling of stress tests at the bank level across business lines and risk types, in the manner and within the deadlines required by the executive board;
- 5) collecting data from the entire bank;
- 6) the possibility of intervention in terms of direct adjustment of assumptions.

As one of the indicators showing that the stress testing program is embedded into the risk management and risk function of the bank, the supervisor expects to see stress testing as an integral part of the ICAAP. The ICAAP should be forward-looking and take into account the impact of rigorous scenarios that could affect the bank. This process should demonstrate that the stress test reports provide the management and executive board with a basis for a full understanding of the significant risks to which the bank may be exposed. In order for stress testing to be an important part of the risk

management system, stress tests should be conducted with a certain frequency. In some risk areas, frequent stress testing is required, while comprehensive stress tests at the bank level do not need to be conducted as often. In larger and more complex banks, there will be a number of risk areas that will require more frequent stress testing (e.g., market risks) as a basis for bank-wide stress testing. Otherwise, smaller banks will not have the same set of requirements. The frequency of stress testing should be proportional with the risk area and the need for stress testing at the bank level.

The stress testing program should be supported by an appropriate infrastructure and/or information system that allows for flexibility and an appropriate level of data quality and control [7]. The infrastructure and/or information system should be proportional with the size, complexity, riskiness and business profile of the bank and enable the implementation of stress testing covering all significant risks to which the bank is exposed. The bank should provide sufficient funds for the development and maintenance of this infrastructure and/or information system, including appropriate resources and IT systems, where applicable, to facilitate efficient access to data and its processing in a quantitative and qualitative manner. If the bank applies a centralized approach to risk management and stress testing is mainly conducted at the consolidated level, the stress testing program should provide clarification and analysis of the impact/results of the stress tests conducted at the group level (consolidated stress tests) on significant subordinate companies and/or lines business.

The stress testing program should be effective and enable decision-making at all relevant management levels in the bank. It supports various business decisions and processes, including strategic decisions. The decision should take into account the disadvantages of stress testing and the limitations of the assumptions used.

The board of director and executive board are responsible for evaluating the relevance of the stress testing program results and for taking appropriate measures. These activities may vary depending on the circumstances and other available information and include [6]:

- considering a set of limitations, especially since there is a prescribed requirement that the results of stress tests must be taken into account when determining the bank's limit system;
- use of risk mitigation techniques;
- reducing exposure or doing business in certain regions, countries, sectors or portfolios;
- review of funding policy;
- review of capital adequacy and liquidity;
- strategy review;
- consideration of risk appetite/tolerance; and
- considering the framework for dealing with unexpected and extraordinary circumstances or developing it if it does not exist.

The results of stress tests and outcomes should be used as input information in the process of defining the bank's risk appetite/tolerance and determining the exposure limit system, as well as a planning tool for determining the effectiveness of new and existing

business strategies and their impact on the use of capital. The results of the stress test may indicate that the bank is satisfied with the risk-return ratio or may influence the bank to reduce the riskiness of its portfolio. In described manner, stress testing outcomes directly influence on organizational performances, not only qualitative already quantitative ones. Stress tests are a suitable tool for identifying risks due to events with a low probability of occurrence and significant effects, for which explicit risk appetite levels can be defined.

The bank should define clear responsibilities, allocate resources and establish written rules and procedures to facilitate the implementation of the stress testing program. This program should be governed by internal rules and procedures and clear responsibilities should be defined in the entire stress testing program. Within the policies and procedures of the stress testing program, the following should be defined in detail [9]:

- 1) types of stress testing and the main objective of each component of the program;
- 2) the frequency of stress testing, which should vary depending on the type and purpose of the tests;
- 3) methodological details of each component, including the definition of relevant scenarios and expert judgments; and
- 4) coverage of business assumptions and anticipated corrective activities, depending on the purpose, type and consequences of stress testing, including the assessment of the feasibility of corrective activities in stressful situations and a changed business environment.

The bank should ensure that sufficient funds are set aside and develop clear procedures for undertaking rigorous stress tests. The bank should document the assumptions and basic elements when conducting each stress test. This includes the rationales and assessments underlying the selected scenarios and the sensitivity of the stress test results to the scope and rigor of the scenarios, as well as the range of business assumptions and planned corrective actions. Good business practice in banking industry shows that operational conduction of stress testing program is in jurisdiction of risk management, while it is necessary that controlling function and evaluation of assumptions should be in jurisdiction of independent functions in organizations that cooperate with risk function closely (such as: Asset Liability Management – ALM department). The bank should regularly review the stress testing program and evaluate the effectiveness and reliability of those tests, qualitatively and quantitatively, in light of changes in external conditions to ensure that they are up-to-date. The frequency of evaluation for different parts of the stress testing program should be adjusted accordingly. An independent control function should play a key role in this process.

A clear and reliable stress testing program (e.g., design, scenarios, expert judgements and results) should be considered across the whole bank. This requires dialogue between risk managers, economists, business line managers and other relevant experts, before being brought to the ExBo for consideration. The discussion between risk managers and business line managers should most often focus on the use and appropriateness of stress testing programs from a business perspective. The contribution of experts within the framework of macroeconomic analysis will probably be most significant in the process

of scenario selection and in the validation of stress testing results. The involvement of various experts and multidisciplinary approach will help ensure that the stress testing program is considered from both a quantitative and qualitative perspective.

Responsibilities for Stress Testing Process among Function Units in Banks: The Role of Board of Directors and Executive Board

The Board of Directors (hereinafter: BoD) has the ultimate responsibility for the entire stress testing program in the bank. This is necessary for ensuring the implementation of the stress testing program at all levels in the bank. Also, it is required that BoD fully understands the impact of stressful events on the bank's overall risk profile. Their engagement will lead to the most efficient use of the stress testing program, especially with regard to bank-level stress testing and capital planning, in terms of outcomes and limitations (e.g., the probability of a subsequent event or degree of subjectivity in the formation of stress test assumptions). Practical aspects of stress testing, such as: identification of risk sources, implementation, management, etc. could be delegated to the level of Executive Board (hereinafter: ExBo). However, the BoD (or a special body formed by the BoD) should be actively involved in consultations, and where necessary critically reviewing, key model assumptions and scenario selection and is expected to review the assumptions of the stress tests from a business perspective.

The BoD should be responsible for giving consent to the ExBo on how it is necessary to intervene, what mitigation measures to undertake and at what time and based on the results of stress tests (as one of the risk management tools), as well as for assessing the quality of such activities and their timeliness. The BoD may consider engaging in stress testing committees, where detailed discussions are held with risk executives about the model design, assumptions, results, limitations, and implications of the stress testing program. The stress testing program should be an integral part of the bank's risk management system and supported by an efficient infrastructure. Stress testing should be integrated into the bank's risk management process, leading to unambiguous conclusion regarding critical role of the risk function in banks generally. Abovementioned means that banks should apply a structural approach in stress testing implementation.

Structural approach to stress testing, presented in Fig.1, focuses on comprehensive management principles, including [6]:

- the structure of corporate elements related to stress testing and the use of stress tests;
- possible methodologies, including the importance of conducting both, simple sensitivity analyzes and more complex stress testing scenarios;
- a multi-layered approach within the stress testing program, from simple scenario analyzes at the portfolio level to comprehensive analyzes at the level of the entire bank;
- the results (outcomes) of the stress testing program, including the interaction between stress test results and management corrective actions or activities related to mitigation techniques; and

- using stress tests to assess the viability of the bank's capital plan in adverse circumstances in the context of the ICAAP.

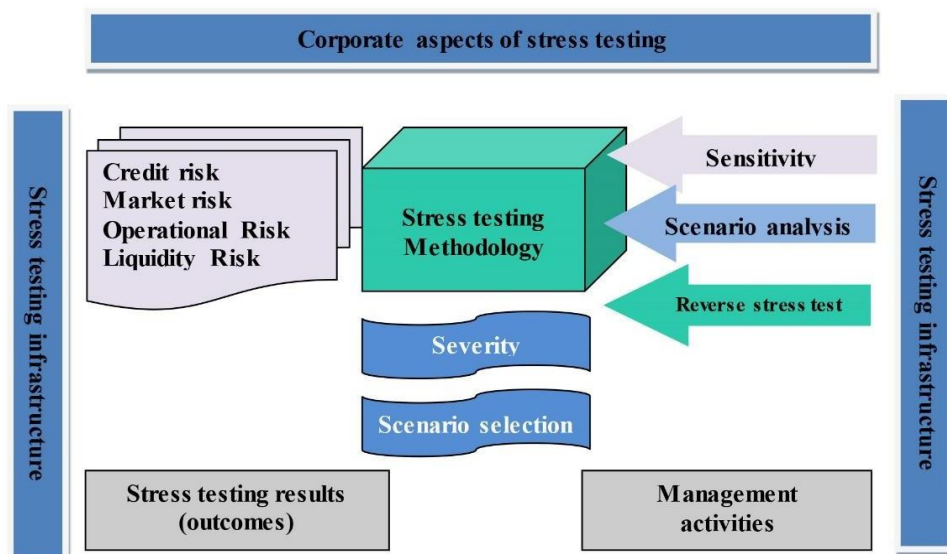


Figure 1: Structural approach to stress testing

Source: Authors

The various stress tests that banks should conduct as part of their stress testing program should be complementary. For example, credit portfolio stress testing should provide input for broader credit risk stress tests and similar, bank-level stress testing scenarios use experience gained from stress testing individual risks, bearing in mind that simple aggregation of results is not possible. It should have in mind that during stress testing the principle of proportionality should be implemented: it means that banks with small market share and simple operations should focus more on qualitative aspects, while larger and more complex banks should develop sophisticated stress testing techniques. It is expected that there are always key qualitative elements running through the stress testing program that clearly identify the links between the bank's risk appetite, its business strategy and the potential impact of external and internal events on its business model. Ultimately, the BoD should ensure that these qualitative elements are logically connected and consistent and in accordance with the bank's defined risk appetite/tolerance. Smaller banks and banks with simpler business activities are usually unable to develop complex macroeconomic scenarios at the bank level within the framework of stress tests. However, they should still conduct stress testing at least in a qualitative way, while quantitatively they could focus on simplified sensitivity analyzes for the specific types of risks to which they are most exposed. This will enable such banks to identify, assess and test their resilience to shocks related to significant risks in their operations.

Stress Effects on Organizational Performances via ICAAP/Recovery Plans

ICAAP is a complex process which is implemented by the highest governing bodies in banks. The process refers to the determination of materially significant risks to which the bank is exposed in their business, their measurement and assessment and determination of internal capital requirements for such risks [8]. The above suggests a mutual connection between the ICAAP methodology and the recovery plan in the bank. It should be noted that the ICAAP is the basis for determining material risks within the framework of organization and development adequate stress test scenarios required for the purposes of the recovery plan.

Before preparation of the recovery plan, the bank usually performs several stress tests aimed at measuring risk factors to which the bank is exposed separately. The stress tests in Serbian banking sector commonly covers credit risk, concentration risk, market risk, operational and liquidity risk as materially significant types of risk. In order to adequately develop a recovery plan, stress tests should be based on the reverse stress tests in order to identify scenarios that lead the bank to the unsustainable business. On the other hand, the ICAAP tests should ensure the maintenance of adequate levels of capital in relation to the risk profile and ensure an adequate redistribution of resources in relation to the specificity of stress situations. Since the two plans have different purposes, they do not have to be identical in approach, but they must be comparable. Stress testing of the ICAAP and recovery plan is conducted regularly (e.g., quarterly or at least once a year), or more often if certain circumstances require it.

The bank regularly examines its financial position by monitoring the recovery indicators, i.e. various factors in business such as: capital, asset quality, macroeconomic and market sentiment. If certain indicator exceeds the previously estimated threshold levels, it signalizes weakness, inadequacy or deterioration of organizational performances. This further triggers the escalation process which leads to the analysis of the situation and if it is need to activate the recovery plan. Managers for monitoring must notify escalation managers immediately after the indicator "goes in" into the yellow zone for the first time.

Escalation managers have the discretion right to inform the ExBo about the limit breach value of the indicator and send an official request to the ExBo to activate the recovery plan. Monitoring managers should also inform escalation managers immediately after any indicator "enters" the red zone every time this happens. Escalation managers are required to report to the ExBo about the entry of the indicator into the red zone and have the discretion right to make an official request from the ExBo activation of the recovery plan. Described reporting lines are direct consequence of managing, monitoring and controlling organizational performances via indicators presented in Fig. 2 through the system of "traffic lights" and definition of three zones: green, yellow and red zone with its thresholds.

Indicators, limits, monitoring frequency	31.12.2016		Zone assess.		
	value of indicator		Green	Yellow	Red
Capital Ratio					
Capital Adequacy Ratio	18.54%		>14,5%	≤ 14,5% i >13%	<13%
Liquidity Ratios					
Liquidity Ratio	1.85%		> 1,4	≤ 1,4 i > 1,1	≤ 1,1
Narrow Liquidity Ratio	1.41%		> 1,3	≤ 1,3 i > 0,8	≤ 0,8
Maturity Gap up to 8 days	-0.31%		> 0%	≤ 0% i > -9%	≤ -9%
Maturity gap up to 1 month	-5.23%		> -9%	≤ -9% i > -18%	≤ -18%
Total deposits decline within one week	0.88%		> -5%	≥ 5% i ≤ 10%	> -10%
Loans / Deposits ratio* (loans plus placements with banks/ client deposits plus other banks and CB)	125.00%		<130%	≥ 130% i <150%	≥ 150%
Increase in interbank interest rates and spreads suggesting potential crisis	no		Lowest levels determined by Treasury Div. bearing in mind current market conditions		
Decline of banking sector deposits (within one month)	4.21%		<8%	≥ 8% i ≤ 10%	> 10%
Cancellation of MM lines by counterparties	no		no	no	no
Profitability Ratios					
Return on Equity (ROE)	3.4%		≥ 0,0%	≤ 0,0% i ≥ -3,0%	< -3,0%
Significant Operational Losses	0.00%		< 1% regulatory capital	≥ 1% i ≤ 3% regulatory capital	> 3% regulatory capital
Asset quality Ratios					
NPL to total loans ratio	29.10%		<30%	≥ 30% i ≤ 35%	>35%
NPL coverage ratio/IFRS reserves	60.45%		>50%	≤ 50% i >40%	≤ 40%
Ratio EBA NPE per NBS	19.75%		≤ 22%	> 22% i ≤ 27%	>27%
EBA NPE per NBS coverage ratio/IFRS reserves	56.79%		>50%	≤ 50% i >40%	≤ 40%
High Exposures	119.67%		≤ 200%	> 200% i ≤ 300%	> 300%
Sector concentration (HHI measure)	0.24		≤ 0.41%	>0.41 i ≤ 0.7	>0,7
Macroeconomic indicators					
GDP quarterly change	2.5%		≥ 0,5%	> 0,0% i < 0,5%	≤ 0,0%
CDS 5Y spread for Serbia's debt	214.6		≤ 250pbs	250 pbs i < 400pt	≥ 400pbs
RSD to EUR change	-0.15%		≤ 2pp	> 2pp i < 5pp	≥ 5pp
RSD to CHF change	0.99%		≤ 2pp	> 2pp i < 5pp	≥ 5pp
Indicators of Market conditions					
Rating under review or/ rating downgrade (SandP)	BB- positive		BB- and higher	B- to B+	Lower than B- (CCC+ and lower)

Figure 2: Organizational performances via recovery plan indicators

Source: [10]

Explanation of “traffic lights” is following: **green zone** – it does not require further actions, just continuing with monitoring; **yellow zone** – it is acceptable but requires actions in order to avoid entrance into the red zone; and **red zone** – unacceptable, requires urgent actions in term of recovery plan activation and consideration of acceptable options for recovery. Yellow and red zone lead to some kind of action, and the decision to be made is a choice between them following options [10]:

- *Accepting violations of threshold levels:* After weighing all the evidence, it may be the case that it would some particular violation involved a truly one-off exception. In other cases, it can be appropriate to review and re-determine previous threshold levels if believes they are too sensitive. Such acceptances should be regularly recorded and regularly re-examined;
- *Taking steps to mitigate/avoid and prevent recurrence:* This is likely the most appropriate response to the breach of the threshold levels of the recovery plan and will require authorization to implement some additional or alternative control measures;
- *Taking some temporary management action:* for example, performing an extended or more intensive monitoring, undertaking a root cause analysis or investigating relationships cost/benefit recovery options.

There are two different steps involved in the bank's monitoring process. The first step is organizing that the appropriate monitoring manager informs about required data in previously defined frequency. Monitoring managers should take all reasonable steps to ensure the integrity of the data, i.e., in terms of completeness, accuracy and timeliness. The second step is the crucial stage of turning data into information by adding context and interpretation (e.g., how the data compares to business performance metrics, whether the data suggests the occurrence of increased or reduced risk i.e., whether the movement is relatively positive or negative). Each manager for monitoring identifies and investigates negative variations and trends and especially analyzes the causes that led to them. Some key considerations from the bank's point of view and effects on organizational performances include following issues [10]:

- 1) Does the repetition of “yellows” reflect a static or worsening situation?
- 2) Does the existence of numerous “yellow” represent the overall “red” in the total number?
- 3) Can the repetition of “greens” suggest that the thresholds are not sensitive enough and should be repeated to be re-examined?

The answer on above mentioned questions determine further steps and efficiency of introduced risk management system in the bank. Consequently, all above has its impact on bank's organizational performances and its positioning in the market.

With technological advancements and extensive use of big data and analytics, risk function in banks will have the potential to become the key pillar for high quality risk decisions, as well as monitoring the effects of those decisions throughout the entire organization in real time. Risk function should be focused on recruitment of employees with new skill sets for working with new technologies and new data sources while understanding operating models, processes and strong collaboration with the other functions.

CONCLUSION

Among other factors, existence of efficient and sound risk management is dependent upon creation of adequate stress testing program. Stress testing enables a better understanding of the bank's risk profile and its resistance to internal and external shocks. Bank-level stress tests should be incorporated into the bank's risk management system and include the views of all relevant bank employees with their expert judgments [12]. The outcome of stress testing is from the great importance for the bank as an organization because it serves as a source of information and a control mechanism used in the risk management process.

Risk function in banks is responsible for conducting and realization of stress testing program, whilst it also reports ExBo and BoD in defined time manner regarding stress testing outcomes. On the basis of those information, management could make decisions which will affect the reduction of risk exposure either through hedging transactions or reduction in own trading position. Furthermore, stress testing outcome could be used as a function of risk controlling within the existing limit structure and as part of the calculation capital requirements and other indicators for ICAAP and recovery plans purposes.

ICAAP is a very sophisticated and complex process implemented by the highest governing bodies in banks. This process refers to the determination of materially significant risks to which the bank is exposed in their business, their measurement and assessment and determination of internal capital requirements for such risks. It is desirable that bank create a mutual connection between the ICAAP methodology and the recovery plan. ICAAP is the basis for determination of material risks within the framework of bank's organization and development adequate stress test scenarios required for the purposes of the recovery plan. As a result of conducted stress testing program within ICAAP and recovery plan of the bank, the organization obtain the insight into movement of main indicators through the system of "traffic lights" and on that basis make an important business decision. Finally, all segments of bank functioning that involves stress testing program conduction pinpoint on unambiguous conclusion that stress testing is a very useful tool for soundness risk management practice which make organization more resilient on emergence of unexpected and extraordinary events.

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SCIENTIFIC REVIEW

**THE RESILIENCE OF FAMILY FIRMS:
CASE STUDY OF SMUCKER’S AND ITS
HISTORY OF INNOVATION AND
FAMILY VALUES**

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ABSTRACT

This paper is aimed to look at the astonishing growth of the J.M. Smucker Company. It takes a look at the beginning that shows how Jerome Monroe Smucker transformed his family recipe into a multibillion-dollar company with a wide arrange of products. Specifically, this paper takes a look at the foundation of the company and how the core values that were set forth in the very beginning, still hold true to this day. While many companies seem to have a revolving door of employees and management, the Smucker’s have been operating this business from the beginning. The company is their family and their unique management style makes their employees feel the same way. While they do produce quality products and goods, it is truly believed that it is the core values and the people that really push the overall growth of the company and increase its resilience. The analysis shows that family-run businesses may employ family social capital in retrospective and prospective ways. A retrospective approach involves targeted and conservative uses of family social capital, wherein the aim is to maintain organizational functioning and return to “business as usual”. In contrast, a prospective approach employs these resources in a more strategic and flexible way to adapt to a “new” future.

Keywords: *management style, leaders, employee resilience, organization*

JEL classification: *M14, M51, M54,*

INTRODUCTION

J.M. Smucker Company was created in 1897 by Jerome Monroe Smucker, specializing in apple butter made from fresh, local ingredients. Like most companies, it started out as a small family-owned operations, reaching \$59,000 in sales. The first plant wasn't built until the 1920's, when it then became incorporated. Shortly after the first plant was built, the company began producing jelly, spiking sales to \$4.1 million by the 1940's. From here, innovation continued as they created more flavors and products to continue the growth of sales along with the company. Advertising became a big part of their success as songs were written and television and radio appearances were made. By 1967, Smucker's sold 150 million jars of products that consisted of jellies, preserves, apple butter, and ice cream toppings [1]. In 2019, they were estimated at 7.84 billion dollars in sales [2]. So how did such a small company grow to be so big and resilient?

RETROSPECTIVE APPROACH

Smucker's was first started by Jerome Monroe Smucker in 1897 using a simple apple butter family recipe in Orrville, OH. But the apple butter recipe (along with many other recipes and products) is not what has led the company to the top of the charts and a billion-dollar company. What has gotten Smucker's where it is today, is a culture and management style that is straightforward and consistent. A family of generations as carried on the traditions and expectations to transform the company from a \$59,000 dollar a year company into a multibillion-dollar company that we know today. In this paper, we will take a look at the growth of the company and some key principles that have excelled the company to where it is today [1].

For this who work inside the company, they may tell you that it is not the secrets of the recipes or products but more so the recipe of the culture within the building. They believe solely in preserving wholesome family values and trusting the common sense will excel the company by sparking creativity and innovation. This is said to be the principles of the man who originally founded Smucker's by taking a stand to higher ideals in order to create a meaningful and impactful life [1].

In 1890, J.M. Smucker purchased his own farmland and along with his brothers, started producing butter, cheese, and occasionally ice cream. In addition, he was also selling creamery supplies to help support his family. After a while, the life on the farm grew tiring and he wanted something new, so he began creating juice, which was not typical of any creameries. From here, he continued his curiosity and innovation and purchased new technology and equipment to help with the production of his products. As production carried on, he soon realized that he really had something great and it was at this moment the J.M. Smucker Company was created. Quickly, the small town of Orrville, OH became a frequently visited location [1].

In 1915, J.M. Smucker Company had 20 employees and the company was producing 1,300 pounds of apple butter a day. This would equate to \$59,802.93 of revenue, resulting in a profit of \$2,859.00. The company would continue to grow, generating \$159,000 in 1918. In the middle of this growth, J.M. really made a decision that was ahead of its time when he appointed two women, his wife, Ella, and his daughter Winna, among the five directors. The other board members included J.M. himself, his son Willard, and an associate William Imhoff. This would start the true family business and was a big part of the values created within the company. Along with these values and standards, it was very common to see J.M. himself alongside his workers assisting with production. It was not just within his own company he was setting a high example, but he was a key figure in the community often volunteering his time and being a major supporter of the small town of Orrville [1]. It was the acts of J.M. that would create the high expectations and positive culture that would carry over to the company, even after he was gone.

In 1973 a document was created with the intent to capture the company's standards and beliefs. It was by these standards that they hired and relied on certain people to continue the positivity and innovation of the culture. This was developed by managers throughout the company and was formalized in 1979, titled "Basic Beliefs" and it was designed to "create the foundation regarding the quality, people, ethics, growth, and independence to serve as a strong foundation throughout our history and will continue to be the basis for future strategy, plans, and achievements." Quality represents their products, manufacturing methods, marketing efforts, and relationships between each other. People are treated fairly and strives to create an environment that encourages responsibility within the company and the community, with the expectation that those people adhere to their job responsibilities to improve the company as a whole. Ethics are the way that the company conducts business, as well as themselves as individuals. Among these are values that include honesty, respect, trust, responsibility, and fairness. Growth refers to the innovation and the constant vision to improve the company to reach the highest potential that can be obtained in many ways such as acquisition of new brands, the development of new products and new markets, the discovery of new management or manufacturing capabilities, or the personal growth and development of their people and their ideas. Independence states that it will remain an independent company because of the desire and motivation to control their own destiny [1, 3].

While this document was created in the late 70's, it was established from the culture created from the very beginning and would lead to the quick rising to the J.M. Smucker Company. From the early days of apple butter and jelly, the company now has brands and products that include Folgers coffee, JIF peanut butter, Crisco, Pillsbury, and Eagle Brand. Expansion is quickly on the rise and now consists of plants and factories that range from California to North Carolina. As previously mentioned, revenue soared from the \$59,000 revenue generated in their first year of operations to more than \$7.84 billion dollars in U.S. sales. This is a result of those values (quality, people, ethics, growth, independence). When looking at some of these in action, a few things came to light that were astonishing. First, Smucker's is setting the bar high, with their new parental leave

policies. This policy states that they are expanding new moms and dads 12 weeks of paid time off as well as expanding vacation time. They are also allowing additional days off for pet grievance [5]. Another interesting change was to their annual “Turkey Bowl” that occurs before Thanksgiving.

Speaking to a current employee, they stated that “with growing concern of food waste and to also support animal welfare they decided to do away with the actual frozen turkey, and instead replace with wood blocks. This allows the company to keep up with their annual tradition to boost employee morale and put on a good time for their employees, while respecting the potential concerns of those within and outside the company [5]. This is just another example of their ability to relate to their employees and stand for what is right in their eyes.

CONCLUSIONS

It is pretty astonishing the path of Smucker’s, starting off as a small, 20-person operation, to a 7,000-person operation worldwide, generating over \$7 billion dollars. From the early days, J.M. himself set forth the standards and culture of the company by leading by example and always pushing innovation, as shown by his willingness to work alongside his employees as well as by appointing two women to the board which was by no means normal at that time. These values would carry over throughout the following years when the document of “core values” was created. This was based on the values of quality, people, ethics, growth, and independence. It is this culture that encourages the employees to perform at a high level to continue to push the growth of not just themselves, but their co-workers and the company as a whole. Along the way, this growth has allowed the company to grow from a company of apple butter and jelly to a wide range of products from cooking products, coffee, and even animal foods and products. They continue to set the bar for other companies by a new way of thinking of how they treat their employees with the mindset that everyone is family.

Family-controlled businesses are often the most resilient in all respects. When adversity strikes, emotional, social or even financial factors come into play and shake the initial equilibrium of the system. Effective leadership styles can create an environment that supports and nurtures resilience among employees, ultimately contributing to organizational success.

This study suggests that family firms are in a privileged position to strengthen their resilience because they mobilize their resources to keep their businesses more prone to adapt to change [6].

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SCIENTIFIC REVIEW

EMPLOYEE RESILIENCE AND LEADERSHIP STYLES

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ABSTRACT

Employee resilience and leadership styles are closely interconnected in the workplace. Resilience refers to an individual's ability to bounce back from setbacks, adapt to change, and thrive under pressure. Leadership styles, on the other hand, describe how leaders approach their roles and interact with their teams. This paper dives into the topic of leaders, whether they be charismatic or non-charismatic. It describes five attributes that describe a charismatic leader and how that sets them apart from other types of leaders. The paper also describes the global and leadership tasks that leaders need to complete in order to be successful. The goal of this paper is to describe leadership styles and their significant role in shaping employee resilience. Leaders who create a supportive, empowering, and positive work environment tend to nurture resilient teams. Authors concluded that it's essential to recognize that individuals vary in their resilience levels, and a combination of leadership styles may be needed to support a diverse workforce effectively.

Keywords: Leadership styles, leaders, employee resilience, organization

JEL classification: M54, D23, L22

INTRODUCTION

Leadership is the action of organizing and guiding a population. Not all individuals are born leaders, however with the right knowledge about organizational behaviour, one can begin to understand methods and strategies for successful leadership. In addition, studies have shown that leadership characteristics are perceived as strong and as such as masculine. In history, the most well-known leaders are more often male than female [1]. This does not mean, however, that men are better leaders than women, but rather it is indicative of gender roles that have changed over time [2]. Women who try to become leaders struggle to balance between asserting their opinion whilst also not coming across as aggressive, a sentiment generally placed on females in power; societal roles and expectations have established a barrier for females in leadership roles [3]. Almost all female leaders dress and present themselves in a neutral, if not masculine way and possess a perceived intense energy. It is thus more difficult for women in power to also be thought of as charismatic, a characteristic essential for inspiring others.

THEORETICAL OVERVIEW

Studies have thus far conceptualized employee resilience as an individual resource developed and manifested in response to adversity, rather than as a dynamic capability that signals and ensures innovation and preparedness for future crises [4].

Kuntz, Naswall & Malinen [5], defined employee resilience as “the capacity of employees, facilitated and supported by the organization, to utilize resources to positively cope, adapt and thrive in response to changing work circumstances” (p. 3). According to Riggio [6], charisma and charismatic leadership does not have the same definition for everyone. Personal charisma is defined as someone having genuine emotional expressiveness, emotional sensitivity, emotional control, social expressiveness, social sensitivity, and social control [7].

Leaders who create a supportive, empowering, and positive work environment tend to nurture resilient teams. However, it's essential to recognize that individuals vary in their resilience levels, and a combination of leadership styles may be needed to support a diverse workforce effectively [8].

Leadership styles, on the other hand, describe how leaders approach their roles and interact with their teams [9]. Here's how they relate:



Figure 1. Employee resilience

Source: [11].

Transformational Leadership: Transformational leaders inspire and motivate their employees to achieve their full potential. They often foster resilience in their teams by creating a positive and supportive work environment [10]. By setting high expectations and providing guidance, they help employees develop the skills and mindset needed to overcome challenges.

Transactional Leadership: Transactional leaders focus on clear goals, rewards, and punishments. While this style may not inherently promote resilience, it can create a structured work environment where employees know what is expected of them. Resilience can still develop in such settings, as individuals learn to navigate the system and adapt to its demands.

Servant Leadership: Servant leaders prioritize the needs of their employees and support their personal and professional growth. This style can enhance employee resilience by fostering a sense of belonging and trust within the team, making employees more willing to face challenges.

Laissez-Faire Leadership: This style involves minimal direct guidance from leaders, which can either help or hinder employee resilience. Some individuals may thrive when given autonomy, while others may struggle without clear direction and support.

Authoritarian Leadership: Authoritarian leaders exert strong control and make decisions without much input from employees. This style can stifle resilience as employees may feel disempowered and unable to cope with unexpected situations.

Charismatic leadership: It is seen in many different leadership roles in the world. From public leaders to famous actors, charisma is an important aspect of many successful businesspeople and leaders. The makeup of charismatic people is described and is compared with those that are non-charismatic. Charismatic leadership is just one type of leadership and there are many other ways to be a successful leader.

Charismatic leadership can positively impact the resilience of an organization. They often inspire and motivate their teams through their personality, vision, and communication skills. This can foster a sense of purpose and dedication among employees, which can be crucial during challenging times.

Charismatic leaders can enhance resilience by:

- a) Building trust: Charismatic-leaders often gain the trust and loyalty of their teams, which is essential for maintaining stability during crises.
- b) Creating a shared vision: They can articulate a compelling vision that helps employees understand the organization's long-term goals, even in turbulent times.
- c) Encouraging innovation: Charismatic-leaders can inspire creativity and innovation, enabling the organization to find new solutions when faced with challenges.

However, it's important to note that overreliance on a charismatic leader can also have downsides. Organizations should strive for a balance between charismatic leadership and other forms of leadership to ensure long-term sustainability and resilience.

DISCUSSION

Most leadership styles provide inspiration towards their followers and bring people together to complete a certain task or goal. In charismatic leadership, the leader has a personal vision which influences the followers in an a very impactful way charismatic leaders have a great impact in the workforce and in society. It is important to understand what makes a charismatic leader great and how to use some of their influences to become a better leader in the workplace [8].

Global leaders have a large impact on much of the population. Success for a global leader may be dependent on the leader's work experience, previous results, educational background, and managerial skills [13]. Global leadership tasks include keeping up with the worldwide technological advances and demands of the workforce [16, 17].

CONCLUSION

Leadership styles should be adaptable to different situations and individuals. The key is to create an environment where resilience is valued, encouraged, and supported. There are many types of leadership styles that are defined across the world. One type of leadership style is charismatic leadership. Charismatic leadership has been shown to

emphasize symbolic leadership behavior, inspiration, nonverbal communication that gives the organization moral purpose that translates to success [14].

It is concluded that charisma in an organization is a key indicator of successful leadership. There are many attributes that distinguish charismatic leaders from no charismatic leaders. It was found that there are five attributes that define charismatic leaders most. According to the Success Factory, these include confidence, compassion, communicative, emotive, and determined (Wilson). Leaders of this type have high amounts of confidence that engages followers to trust them. Their compassion is necessary to show awareness of how decisions affect others and to be thinking about the full picture when making a decision. Charismatic leaders have communication skills that articulate their thoughts and ideas in a manner that is impactful. They are able to elicit emotion from their followers which creates more motivation. With this motivation comes determination which is echoed to the charismatic leaders' followers [15].

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PROFESSIONAL PAPER

MULTI-GENERATIONAL, DIVERSE AND RESILIENT WORKFORCE

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ABSTRACT

Organizations need to be more resilient than ever to respond to high global economic instability and changing worker and customer expectations. In today's workforce, there are multiple generations all competing for the same position. Baby boomers, Gen Xers, and millennials each have their own values. Baby boomers are seen as experienced workaholics that won't retire, leaving no room for other generations to advance in their careers. Gen Xers are seen as great managers without a demanding presence. These older generations are seen as the "sandwich-generation" and are financially burdened with being responsible for both their children, and their parents. Millennials are seen as tech-savvy employees that don't want to work on a team. Despite these challenges, managers can make everyone feel included by avoiding stereotypes, communicating effectively, and respecting boundaries.

Keywords: Baby boomers, millennials, demographic changes, management, resilient

JEL classification: D15, D50

INTRODUCTION

The global workforce is full of workers of many different ages from multiple generations. With multiple generations in a workplace, it is important that managers

take the steps to understand the needs and capabilities of each group. The three main groups of workers are: baby boomers (1946-1963), gen X (1964-1980), and millennial (1981-2000). Each generation lives by a different set of values and morals. Boomers tend to live by the values of family, integrity, and love. Gen Xers live by the same values, but with more emphasis on family and love. Millennials place a high value on family, while also placing value in love and spirituality [1]. As the values of generations change, so does the workplace. With the rising cost of living, and a high desire to work, many baby boomers are not retiring. As of 2011 baby boomers make up 48%-57% of the workforce [1]. This leaves little room for newer generations to enter the workforce.

THEORETICAL OVERVIEW

Business changes are inevitable in the workplace, as the world around us is constantly changing. In recent years, the world has become far more diverse, including in the workplace. This diversity has many benefits for businesses, but it will also bring changes that can impact worker's motivation. Understanding how to motivate employees during periods of change is necessary to support workers in producing high quality, efficient work.

Motivating employees is giving them what they want from work so that they provide high quality, productive work [2]. Motives can be described as the "fire in someone's belly," or what is driving them to work. In some cases, this is just the need for a paycheck and in others it is to do more than the bare minimum [2].

There are pros and cons to each generation of worker in the workforce today. With many boomers remaining in their positions, there are not as many jobs available to the younger generations. This presents problems for younger generations, including increased rates of unemployment and career paths that are put on pause. This puts a burden on middle-aged people, also known as the "sandwich generation". It is important for managers to learn ways to manage all the generations present in a workplace.

DISCUSSION

There are strengths and challenges of every generation. For millennials, strengths are seen with advanced technology. In a study done on 1,200 professionals about the strengths and weaknesses of each generation, 78% agreed that millennials are the most tech-savvy and use social media to gain opportunities. The cons for millennials are that they are not hardworking or "team players" [3]. For Gen X, the strengths include being the most effective managers, being the most adaptable, and being the best problem solvers. Weaknesses included not being cost effective, and not having a managerial presence [3]. Baby boomers, strengths lie within their ability to combine determination with experience. Baby boomers tend to take great pride in working hard and making a decent salary. They want to advance in their careers and are competitive to achieve

their goals. Baby boomers do face a great deal of challenges though. There are many conflicts between baby boomers and younger generations, for example, millennials believe in a work-life balance whereas baby boomers believe more in career development [1].

Another one of the big challenges faced by older generations is the burnout of being the “sandwich generation”. The sandwich generation is the generation of middle-aged adults that are feeling the pressure to financially support their older parents, in addition to their grown children. Being a part of the sandwich generation not only puts financial strain on a person, but it also weighs emotionally on the generation [4]. Financial burdens, such as this and increased cost of living, make it difficult for baby boomers to retire.

One of the biggest debates in today’s economy is the effect delayed retirement has on younger workers. It is a big fear of many younger workers that with baby boomers remaining in their positions, there is a lack of job opportunities. Millennials fear their careers are halted, and Gen Xers fear they’ll never be promoted [5]. However, these fears only seem to be valid in firms with limited higher-level positions. In companies with limited positions available, as boomers stay in those positions, it leaves no room for Gen Xers to be promoted. It also limits jobs opening up for millennials [5]. In a study done in Italy in 2011, findings showed that delays in retirement do reduce the rate of promotion. The study also showed that firms will lay off younger employees, before the younger employees retire. Finally, the study shows that delays in retirement affect the “sandwich generation” more than younger generations. This is because firms use seniority when promoting employees, so the “sandwich generation” has no room for career growth [6].

For every generation to participate in the workforce, there are different management tactics leaders can apply. Each generation has unique traits that must be catered to in order to make the workplace successful. One thing a manager must consider is looking at the individual worker’s values rather than stereotyping each generation. Stereotyping generations can be problematic because it leads to age bias rather than understanding the true differences between generations [5]. Another thing managers must do is communication openly with their employees what they prefer. This mainly applies to the preferred method of communication. The manager is responsible to find the most effective method of communication that makes sense to all generations in the workplace [7,9]. Another important aspect of managing multiple generations is to respect boundaries. Topics such as mental health, gender roles, and diversity used to be considered taboo to discuss in the workplace. Now with younger generations of workers, the workplace has become more progressive, and people are able to discuss these topics. These topics can be challenging for older generations to participate in. It is up to management to gauge when employees are and are not comfortable discussing these topics and respect their values and beliefs [5,8, 11].

CONCLUSION

In conclusion, there are many challenges faced by workers of every generation. Each generation has their own set of boundaries and values that may or may not be met in the workplace. There are also financial burdens and career obstacles each generation faces. Millennials are faced with limited job opportunities. Gen Xers are unable to receive promotions due to higher positions not being available. Baby boomers are unable to retire because of rising costs. Despite these challenges, a leader that has a good understanding of each generation's values and needs will be able to make a workplace a productive, comfortable environment for everyone. In addition, in discussions about the definition of resilience, workers and leaders can provide valuable feedback, improve concepts of resilience, and make resilience more useful and effective for an organization.

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SCIENTIFIC REVIEW

**TOWARDS THE RESILIENT REGION:
SIGNIFICANCE AND APPROACH IN
REGIONAL POLICY PLANNING AND
REGIONAL DEVELOPMENT IN THE
PROCESS OF SERBIA'S ACCESS TO
THE EUROPEAN UNION**

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ABSTRACT

The authors analyse the importance and approach in regional policy planning and regional development in the process of Serbia's accession to the European Union, through regional policy planning at the national level, the need to open Chapter 22, which is dedicated to regional policy and the management of structural funds. The paper deals with the analysis of regional development in Serbia, the need to define regional development policy.

By defining ten pillars of regional policy, the authors analyse and provide a framework for establishing and implementing regional policy in Serbia. Based on the analysis, the possible goals and priorities of Serbia's regional policy are determined.

Keywords: regional policy, chapter 22, pillars, goals and priorities of regional policy

JEL classification: R5

INTRODUCTION

Membership in the European Union is not inevitable, but a conscious and precisely determined decision of a country and its population that such a choice is in their (national, regional and individual) interest. Membership in the European Union is not an end in itself, but a means for realizing a long-term national strategy of efficient economic development in order to improve the living conditions of the entire population and, therefore, must be established by consensus.

Regional policy and regional development in Serbia should be a development and investment policy that aims to provide support for the creation of new jobs, the launch of new and strengthening of the existing companies, raising regional competitiveness, improving the quality of life and sustainable development, contributing to more even economic growth in the country, reducing regional inequalities (Radulović, 2015, 93).

For these reasons, regional policy and regional development cannot be viewed in isolation from other policies, it should be represented in all relevant sectoral strategies and contain a sectoral classification of priorities and measures for their implementation with multi-year planning of funds, with constant preparation of projects that will enable development documents implementation (Radović, Marković, & Marković, 2022).

The issue of the existence of regional policy in the European Union and the existence of national regional policy is a fact, which indicates their different nature but also the need for mutual complements. Our goal should be to achieve the greatest complementarity between these two policies during planning and implementation, which will reduce certain tensions and avoid the creation of parallel systems (European and national), characterized by different requirements and needs. In this way, a significant step forward will be made in the direction of establishing complementary systems for the management of national regional policy and European Union funds.

European regional policy is based on solidarity and assistance between the developed and the underdeveloped, thereby influencing the reduction of differences in the development of regions, improving the living standards of the population in them, restructuring their industry, developing infrastructure, opening new jobs, etc. (Radulović, 2014, 15).

We could say that the national regional policy should represent the sum of coordinated sectoral policies and priorities within which measures are recognized in the function of encouraging even regional development. This policy should help statistical regions in Serbia to use their territorial capital and thereby increase their competitiveness in relation to other regions.

THE IMPORTANCE OF OPENING CHAPTER 22 FOR SERBIA

Serbia has not yet opened Chapter 22 in the EU accession negotiations, which is dedicated to regional policy and the management of structural funds. According to the opinion of the European Commission, the main obstacles are still the absence of a legislative and institutional framework, administrative capacities, which include the lack of professional staff in the competent institutions.

The candidate country since 2012, Serbia began negotiations on EU accession after the First Intergovernmental Conference, held in 2014, between the Government of the Republic of Serbia and political representatives of the EU and member states.

The European integration process is a long and arduous dialogue between the governments of candidate countries and European institutions on negotiation chapters (35 in total), which are divided into six thematic units (the so-called clusters).

During this pre-accession phase, our country as a candidate must work on harmonizing its own legal systems with the so-called *acquis communautaire*, i.e., with the values, procedures and regulations that make up EU legislation.

Within the accession negotiations, Chapter 22 is dedicated to regional policy - also called cohesion policy - and includes a number of regulations and procedures useful for preparing the candidate country for the future management of EU funds (https://neighbourhood-enlargement.ec.europa.eu/enlargement-policy/conditions-membership/chapters-acquis_en).

Cohesion policy represents the reference framework for local and regional development within the EU, and is one of the European policies in which the most funds are invested. Namely, for the financial period 2021 - 2027, the funds dedicated to cohesion amount to more than 377 billion euros, approximately 35% of the entire European budget (<https://www.europarl.europa.eu/factsheets/en/sheet/93/coesione-economica-sociale-e-territoriale>).

At the request of the European Commission, the Government of Serbia adopted in 2019 an action plan for meeting the requirements in the area of cohesion policy of the European Union, for Chapter 22-Regional policy and coordination of structural instruments, which defines a series of measures - and deadlines for their adoption - that should contribute to meeting the conditions useful for the implementation of regional policy (chrome-extension://efaidnbnmnibpcjpcglclefindmkaj/https://www.mei.gov.rs/upload/documents/pristupni_pregovori/akcioni_planovi/ap_pg_22.pdf)

While waiting to access the cohesion funds - which become available only after full accession to the Union - Serbia is participating in ten programs dedicated to one of the two main objectives of the EU's regional policy, namely European Territorial Cooperation. Specifically, it is about seven programs that are mostly financed from the Instrument for Pre-Accession Assistance IPA III - four cross-border cooperation programs with member states (Hungary, Romania, Bulgaria and Croatia) and three with candidate states (Bosnia and Herzegovina, North Macedonia and Montenegro Gora), two transnational cooperation programs (Danube and Adriatic), and the URBACT program.

In addition to encouraging cooperation with neighboring countries on matters of common interest (in the field of tourism, environmental protection, infrastructure development, etc.), participation in these programs contributes to better preparedness of the country for the future management of cohesion funds, enabling it to gradually adapt to European standards and good practices in strategic planning, financial management and development and implementation of investment programs at the national level.

THE PILLARS OF THE NATIONAL REGIONAL POLICY

The framework, importance and need for the policy of regional and sustainable development of Serbia should be based on 10 pillars for planning, organizing, coordinating, implementing, monitoring and evaluating development activities - Table 1 (Radulović, 2012, 89):

Table 1: The pillars of the national regional policy

<i>Pillar I</i>	POLITICAL FRAMEWORK	Willingness to define policies clearly according to regional development and participate in its implementation
<i>Pillar II</i>	LEGAL FRAMEWORK	The Constitution of the Republic of Serbia, the Law on Regional Development and by-laws and other acts
<i>Pillar III</i>	STRATEGIC FRAMEWORK	Coordinated and integrated sectoral-territorial approach in implementing sectoral policies and defining goals and priorities, through development documents
<i>Pillar IV</i>	GEOGRAPHICAL FRAMEWORK	Nomenclature of statistical territorial units and the development of units of local self-governments and regions
<i>Pillar V</i>	INSTITUTIONAL FRAMEWORK	Subjects of regional development are recognized as bearers of even regional development
<i>Pillar VI</i>	FINANCIAL FRAMEWORK	Sources of funds (domestic and international)
<i>Pillar VII</i>	DEVELOPMENT FRAMEWORK	Measures, incentives, programs
<i>Pillar VIII</i>	ANALYTICAL FRAMEWORK	register of measures and incentives, assessment of measures and incentives
<i>Pillar IX</i>	FRAMEWORK OF THE COHESION POLICY OF THE EUROPEAN UNION	The impact of the cohesion policy of the European Union on defining the national regional policy
<i>Pillar X</i>	IPA FRAMEWORK FOR SERBIA	The impact of the IPA for Serbia on the definition of national regional policy”

Source: the author

Territorially underdeveloped areas are in the eastern, southern and partly western parts of the Republic of Serbia. According to statistical data, the differences between developed and underdeveloped areas are increasing, so that today the Republic of Serbia belongs to the countries with the largest regional differences in Europe (Radulović, 2015, p. 78).

In recent years, regional development in Serbia has neither been a priority nor political topic, although it should be as a result of growing regional differences, worsening negative demographic trends and increased political interest, but also the need for harmonization and implementation of the future cohesion policy, when Serbia becomes a member of the European Union.

THE VISION, GOALS AND PRIORITIES OF SERBIA'S REGIONAL POLICY

The vision of an economically and socially more harmonious, balanced and sustainable development of Serbia implies a different distribution of economic activity, infrastructure and funds that would open up opportunities and perspectives for all citizens and regions (as well as for levels within the region) in combination with an adequate quality of life and human capital that would encourage and enable people to realize their potential in the part of the country where they want. Each region must be enabled to contribute as much as possible to national prosperity.

The general goal of regional development in Serbia should be to improve the socio-economic situation and the quality of life of residents in all regions of Serbia through the effective mobilization of specific regional and territorial potentials and more even, sustainable regional development.

It is based on mitigating and reducing regional and intra-regional differences and overall socio-economic development.

This general goal should be elaborated through three strategic goals and one operational goal of regional development, which refer to:

- 1) **Creating conditions for sustainable and economic growth** through strategic investments in the natural and built environment in statistical regions in Serbia;
- 2) **Improving the supply of labour force** that will better reflect the needs of employers and potential employers in the regions of Serbia, as well as the ability to attract investors;
- 3) **Support to the economic sector for the creation of new jobs and wealth** by focusing on sectors with the potential for permanent and sustainable employment growth in the regions of Serbia.

The basis for the realization of all three of these strategic goals is a clearly identified operational goal of regional development:

- 4) **Improving institutional capacities** in key areas at national, regional, district and local levels to ensure maximum benefits for people, places/localities and productive capacity through more effective regional development.

Other national regional policy objectives should be:

- “*Development of local self-government units, statistical regions and areas* (to achieve a better connection of local and regional development needs with national development priorities with the involvement of partners in which all interest groups are represented);
- *development of underdeveloped areas* (more even regional development is enabled by helping underdeveloped areas to achieve faster socio-economic development and thus reduce the lagging behind other areas of the Republic of Serbia);
- *development of border areas* (a basis is created for the development of coordinated, system-oriented cooperation at the local, regional level with partners from countries in the region in order to reduce the negative impact of the border and promote socio-economic cohesion in border areas)” (Radulović, 2013, 201-202).

Sustainability is the foundation for the success of development or regeneration activities. Three "sustainability axes" for development are recognized in Serbia:

- 1) **economic** - sustainable economic growth and economic-technological progress (Milošević, (2023);
- 2) **social** - sustainable social development, based on social balance and equal opportunities for all citizens;
- 3) **ecological** - the environment protection with reasonable use of natural resources, united into one whole with the support of an appropriate institutional framework.

Bearing in mind that regional policy and regional development should be focused on economic issues, the remaining axes of sustainability must be realized as "horizontal" or "cross-cutting" topics that are embedded in all strategic objectives of economic regeneration and must be respected in all regional policy interventions. These horizontal topics should be:

- A) equal opportunities and better quality of life for all citizens;
- B) support and development of a sustainable environment in Serbia.

These cross-cutting, horizontal topics should be directly related to the important principles of European Union policy.

Table 2

Strategic goal	Priority	Sub-priority	Indicators
Human capital development in all parts of Serbia	People	Education	<ul style="list-style-type: none"> • Reduction of unemployment among school leavers • Reduction in the number of vacant positions
		Employment	<ul style="list-style-type: none"> • Reduction in the number of vacant positions • Reduction of long-term unemployment
Creating conditions for sustainable development in the regions of Serbia through targeted and progressively growing public sector investments	Place	Quality of life	<ul style="list-style-type: none"> • Increased solid waste collection and recycling
		Attracting investments	<ul style="list-style-type: none"> • Increase in investments (international, regional, local) • Increase in the number of visitors - overnight stays
Creation of new jobs and wealth in all parts of Serbia by encouraging the development of a competitive, innovative and entrepreneurial economy	Production capacity	Existing companies	<ul style="list-style-type: none"> • Reduction of unemployment
		Removal of barriers to development	<ul style="list-style-type: none"> • Reduction of unemployment
		Creation of new job positions	<ul style="list-style-type: none"> • Reduction of unemployment • Number of start-up companies
Improvement of institutional capacity in key areas at the national, regional, subregional and local levels	Institutional capacity	Support to the regions	<ul style="list-style-type: none"> • Increased awareness and engagement of all stakeholders
		Support for connecting national and regional levels	<ul style="list-style-type: none"> • Improved communication • Increased efficiency • Higher absorption of the available funds
		Building national capacities	<ul style="list-style-type: none"> • Effective monitoring and implementation

Source: the author

The general priorities of the national regional policy should be based on the four general national and regional priorities that emerged from the strategic goals - Table 3.

Table 3

PLACE, ENVIRONMENT, INFRASTRUCTURE	improving the environment in which people live, work and rest, in order to encourage investment, economic activity and the stability of a skilled workforce
PEOPLE	improvement of human resources in different regions of the Republic of Serbia through an approach based on the specific needs of their fellow citizens in terms of employment and income
PRODUCTION CAPACITY	creation of new jobs and economic entities in accordance with specific needs and potentials;
INSTITUTIONAL CAPACITIES (ADMINISTRATIVE)	building and strengthening of institutional capacities and expertise, structures relevant for regional development at all levels

Source: the author

CONCLUSION

We can conclude that the main goal of regional policy is to encourage better utilization of natural potential in underdeveloped areas (development of agriculture, tourism), create equal conditions for everyone, create conditions for life, taking into account the specificity and needs of the region, municipality, city, village. The development of regional policy is a prerequisite for development and a better standard.

The national regional policy in Serbia should be defined as a coordinated and integrated sector-territorial approach to sustainable socio-economic development of all parts of the territory of Serbia, with respect for certain territorial specificities of certain areas, and the implementation of which will be the responsibility of the line ministries. Each implementer should have its own sectoral document that should recognize the horizontal regional policy through its measures (Radulović, 2012, 89, Radulović, 2013, 7/13).

"When implementing the national regional policy, its connection with other government policies (its representation in all sectoral policies) should be ensured, as well as with the regional policy of the European Union. This means that the national regional policy in the Republic of Serbia should provide a coordinated and integrated sector-territorial approach that is harmonized and complementary with the IPA programming and implementation system" (Radulović, 2012, 89, Radulović, 2013, 16).

The issue of regional policy and regional development in Serbia must become one of the most important topics and goals of the overall development of the state of Serbia in the coming period.

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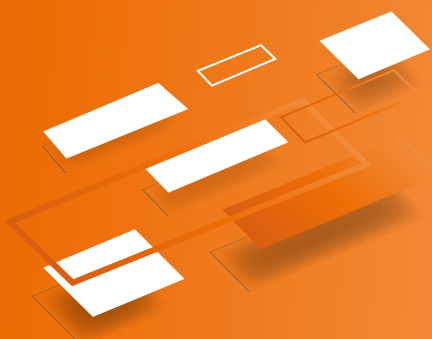
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