

Review work

UDK 65.012:338.124.4 ..

DOI 10.7251/SVR1510019P

REHABILITATION AS A COMPANY'S MODEL FOR GETTING OUT OF THE CRISIS

Assistant Professor Slobodan Pešević¹

Independent University Banja Luka

Abstract: The word 'rehabilitation' is of Latin origin (Sanatio) meaning treatment; nevertheless from the standpoint of company's economy rehabilitation is considered to be economic, technical and organizational measures that need to contribute to the recovery of the company, meaning that it once again becomes liquid and profitable. The company is considered sick if it is unable to meet its obligations and operates with a loss for a longer period of time. The causes of the disease can be external and internal. Financial difficulties, which are manifested in the lack of liquidity and unprofitability, cause the need for rehabilitation. Start of rehabilitation suggests the eligibility of rehabilitation, which exists if permanent recovery of the company is possible. Determining eligibility of rehabilitation involves testing and selection of measures whose implementation provides a permanent recovery of the company, in terms of reestablishing of financial balance and returning to the profit zone. If permanent recovery of the company is not possible, bankruptcy happens. There is a difference between rehabilitation in one and rehabilitation in another sense. The first one, economic rehabilitation (rehabilitation in the broad sense) covers all measures that contribute to the detection and elimination of the causes of loss and ensure permanent recovery of the company. The second, financial rehabilitation (rehabilitation in the narrow sense) is directed to write off the loss and the establishment of financial balance.

Keywords: *crisis, deficit, price stability, privatization, the symptoms of the crisis, entities.*

INTRODUCTION

At the beginning of the last decade of the last century in the former Yugoslavia began the process of transition of the political and economic system. Yugoslavia was then in a great advantage compared to other East European socialist states, with realistic prospects that already by 1995 should join the European Union. One of the basic conditions for that was that all republics peacefully resolve disagreements about the system of government of a federal state, in which the European Union has offered the role of mediator. Interstate disunity on the model of the transition of the political system and the fate of the federal state caused the most serious consequences in Bosnia and Herzegovina, which ended in a passive position, rather than offering their own solutions, expecting help from the Federation, which was already very

¹ The author is a Professor of Business Finance at NUBL

questionable. By breaking the single economic space and circling the republican economy, raw material capacities in Bosnia and Herzegovina quickly lost their market, and in Bosnia and Herzegovina itself are rapidly growing interregional tensions which reveal all deformations and irrationalities of a long, emphasized, centralized economic politics, fully neglecting regional development interests.

The disintegration of the state and the transformation of the former republics into new national states inevitably had to end with the war and its epicenter occurred on the territory of Bosnia and Herzegovina. The war destruction which lasted for three and a half years physically made worthless most economic capacities and a considerable part of the economic infrastructure, and where the war devastation was avoided, inevitably happened a technological stagnation, loss of programs and markets, and the biggest victims were the programs and capacities of high technologies, and many of them were extinguished forever. The war did not even spare the natural resources and potentials.

ABOUT THE CRISIS AND METHODS OF OVERCOMING THE CRISIS

During the first post-war years the Republic of Srpska had conflicting relations with the international community. There was a lot of misunderstanding of the future relations within Bosnia and Herzegovina and conflicting interpretations of the decision from the Dayton Agreement. In short, the then authorities of the Republic of Srpska considered that by the agreement the Republic of Srpska had more independence than the international community interpreted. Those are the reasons why the Republic of Srpska had a hard time finding international assistance which was necessary for reconstruction and development, and why the international community had spent less money for the reconstruction and development of the Republic of Srpska than it was planned immediately after the war.

Even today, agreements are very difficult and slow to achieve regarding any matter. Macroeconomic politics slowly comes to life, being at the entity level, without cooperation nor coordination in the design of key macro-economic factors, and they are:

- full employment,
- price stability,
- high growth rate
- balance of payments.

Economic science has demonstrated that without achieving these objectives, there is no economic and political stability, nor better conditions for life of the population. It should be noted that there are no mechanisms for synthesizing the objectives of macro economic politics in Bosnia and Herzegovina, and that some politics, needed for their achievement, are not lead at all at any level of government, which is disturbing in terms of creating long-term and dynamic development. In the Republic of Srpska there is a need to provide long-term, stable and dynamic development. However, the Republic of Srpska has overcome the stage of spontaneous post-war improvement of the

situation in which strategy and politics were not crucial for managing development.

Only ending the war and ending the destruction of resources improves the state of the economy. However, that conception of improving the state of the economy has a limited effect. Its good sides are already exhausted, a new development requires a new strategy, new resource relations and new politics of managing development. Without politics which serve to achieve the key objectives of macroeconomic politics, that is impossible to achieve. That fact, at the given time, defines the paradox situation that without macro-economic politics development goals can not be realized, and Bosnia and Herzegovina, in practical terms, is not an environment in which one can define and manage effective macroeconomic politics. How to set goals, to run politics and what results can be expected in such circumstances? This question is almost impossible to answer.

According to data of the Economy Chamber of the Republic of Srpska, total number of employees ending with December 2014 was 243,102 persons, which is 1.2% more than in 2013. Number of employed in industry, compared to the same period in 2013 was increased by 1.7%. Data should be taken with some caution, a large number of young and qualified people don't work, there is still a case of going abroad, especially of people in the medical profession. The number of employees which moonlight, who are not registered by their employer, is unknown. The thing that worries the most is a constant employment in government institutions, however one of the key macro economic factors is full employment but in industry or as some say, in the real sektor. By employing people in government institutions, those few economy companies, that are still working, will be destroyed.

Industrial producer prices in 2014, compared to 2013, decreased by 0.6%. In the domestic market price decrease amounted to 0.7% and on the foreign market that reduction was 0.4%. Consumer prices in the Republic of Srpska in 2014 decreased by 1.2% compared to 2013. Studying the prices, one could draw the wrong conclusion about price stability, but it is not so, other factors made it that way. Here prices are not reduced by increasing productivity but by decreasing demand, in that case profitability is falling and production is reduced; it is, in our opinion, deflation. There is an increase in purchasing power of money due to disruptions in the relations of commodity and money market funds, where commodity funds are higher than money funds. It is high time for the abolition of currency board, it has already been delayed for several years, too little money is circulating.

In 2014 there was an increase in industrial production in the Republic of Srpska by 0.7% compared to the year 2013, in the manufacturing industry growth was 5%, while the area of production and supply of electricity and gas decreased compared to the year 2013 by 9.0%, and just this area should be the skeleton of the development. Without production growth of at least 5% per year it will be difficult to overcome the crisis.

The total volume of commodity exchange with foreign countries in 2014 amounted to 7.64 billion marks, the export was realized in the amount of 2.69 billion KM and import in 4.94 billion marks and deficit amounts to 2.25

billion marks. All key macroeconomic indicators are not troublesome, but more alarming, devastating. Neither time nor space do not allow us to engage in the resolution of these problems.

Such solutions reflected the company's operations in the Republic of Srpska. The crisis has hit not only the companies that have lost markets in the former Yugoslav republics, but virtually all businesses. In addition to the company's capital, the companies had to engage disproportionately a lot of foreign capital. It was impossible to reach the foreign capital, the banks were not interested in giving loans to unstructured companies that have not even had their true owners. The State's only remaining solution was to formally rename the property owned by the society into the state property. That formality was legalized and the owner, the entity of the Republic of Srpska, could do with their property what they want. The state is not skillful manager even in developed western economies, nor a "good" host. Privatization of the state capital was inevitable. The state thought there will be a huge interest, both of domestic and foreign buyers of the state capital.

It should be confessed that that opinion was shared by the local and foreign experts. In the end it turned out that investors, both domestic and foreign, were investors of suspicious capital origin. Their goal was not to restructure the company and start working but to increase their invested capital with their sales. Companies were inevitably getting into a crisis, on the one hand events of the war have made their own, and on the other hand, neither the state nor the new owners had not expressed interest in their revitalization. Rehabilitation had a late start and this problem was very little known to the local experts. During the reign of the self-governing socialism crisis at the company could have been caused just by a bad management, and it was relatively easy to rehabilitate the company. If this was not done by the banks than conglomerates did it, which were complex organizations of associated labor, labor organizations and other similar forms of organizations. In fact, since the crisis originated in the sphere of politics, then politics resolved it. Rehabilitation was seen as an incidental and easily manageable phenomenon. If somewhere in the period from 1990 until 2002 had been restored seven to eight large enterprises, they could be the development momentum of the entire Republic of Srpska. We should emphasize that our professional literature had been scarce regarding the rehabilitation and introducing the subject special balances, which are studied at the faculties of economics, problem remediation is completely solved, at least as far as theory is concerned.

The company can be rehabilitated in every phase of its life; the condition is that the owner wants it and that the benefit from continuing business is higher than the liquidation value of the company. Environment in which business companies of the Republic of Srpska operate are restless, volatile and unpredictable. There are frequent changes in technology but with us, in the Republic of Srpska, we do not seem to understand the importance of human resources in all these changes. Many companies in the Republic of Srpska collapsed due to poor management. Suitable are appreciated and not capable ones. Political parties act like they are competing in the selection of poor personnel at important functions, and the cost of such work is paid by citizens. It is extremely important to notice on time the crisis in the company;

professional and responsible, i.e., capable management reacts to the first signs of the crisis. Recognition and identification of crisis symptoms (signs), provides, in a longer or shorter period, more successful business of the company. As a problem, in this paper, we highlighted the work of management in companies in the Republic of Srpska. Namely, we're trying to answer the question, in a sense, why did the management structures prove incapable of managing local companies. Were those factors motivational, or a case of poor selection of staff or something third, it does not matter; we believe that management structures in the R. of Srpska were not properly do their job.

In addition to spotting symptoms of the crisis, it is equally important to precisely determine all causes of the crisis, which have led to such a situation. By eliminating the causes or reasons that led to the crisis, at the same time we create assumptions of returning to normal business.

As the first problem of research we pose the question of defining and identifying the key symptoms of the crisis, on the one hand, and the causes that led to such a situation in general in the Republic of Srpska. Furthermore, on the basis of investigations which were carried out, should be seen, not only trends in the business should be seen, but also trends and changes in the management of the firm. We prefer the views that if the companies consist of certain equipment and people working with that equipment, people always cause problems, hence one should pay special attention to the problem of management and the workforce of the company.

The phenomenon of symptoms and causes of the crisis of business should be investigated for a longer period in the Republic of Srpska, with the aim to research and get a relatively large number of different, detailed, comprehensive and relevant data and information. We need that so that we can reach general conclusions and legality. Only then is it possible to define ways of overcoming the crisis, and in general, improvement of the business process, not only in the Republic of Srpska, but also in Bosnia and Herzegovina.

Conceptual approach to the overall issue of crisis would encompass the following basic steps:

- a company in crisis,
- signs of the crisis (symptoms),
- the actual (internal and external) crisis causes,
- possible solutions to the crisis and
- implementation of solutions.

In order to have valid data, i.e. that rehabilitation has a scientific role, it is necessary to collect data on the reconstructed companies from all over the Republic of Srpska, in different fields of business. Combining different research methods would facilitate the understanding and comprehension of the studied phenomenon which occurs in many forms and in different companies. From that variety of situations (companies) within present phenomenon research, we tend to explain the symptoms and causes of occurrence, character, dynamics and manifestation forms of the phenomenon being examined (by using logical analysis). By studying the phenomenon of the symptoms and causes of the crisis of the business in more cases (companies) researchers will be able to confirm the theoretical determinants of crisis management and crisis

of business, especially the symptoms and causes of the crisis which could be elaborated in a scientific journal, and thus indicate the ways and measures for overcoming crisis situations and improvement of business.

Consequences of the political-economic crisis environment that dominated in the end of 20th century will be felt for a long time on the territory of the Republic of Srpska. In such difficult economic conditions, business politics could not be focused to appropriate objectives and strategies and tactics, which correspond to a stable business ambience. Objectives of the companies in the Republic of Srpska and in the countries with stable economic environment are not the same, but they should be. As for ourselves, a primary goal is the goal of survival rather than goal of growth and development, financial politics is created to make a "financial strength" which allows mere survival. It is impossible that mere survival does not bring into question the survival of the company, because there are only two variants that exist for the company, either to survive and maintain production or experience economic collapse.

A huge problem for economic subjects was a sudden change of social system. Even today, many people think that capitalism is the cause of poverty. Our idea is that the appropriate business strategies must take into account the so-called category of "social capital". It primarily involves the perception of capital as human potential which is the very foundation of the knowledge economy. In analyzing the social and economic status of transitional changes, rough changes from the standpoint of social capital can be seen. They are inspired by the ideas of global capitalism. It is reasonable to note that the transition process initiated deep contradictions and that new problems have some background in past economic experience. In our opinion, a number of relatively independent facts of the transition process were distinguished:

- Inefficient privatization of large companies,
- Inefficient of the privatization of a large number of companies (small and medium),
- Privatization could not be performed by the management with thinking based on the principles of social ownership and
- Lack of corporate culture of management.

From what has been exposed by now, it can be noticed that the culture of poverty has become the dominant culture, and is accompanied by institutions that have developed on the basis of risk society (messy and unreliable administrative-political administrative organization of society), the high rate of unemployment, neglected people in all segments of life, and especially distrust for institutions which are offered as an instrument of solution of current problems.

The companies must be rehabilitated in order to continue its economic activities, but certainly not all, only those whose benefit from continuing business is higher than the liquidation value. Therefore, the economic and financial rehabilitation, especially economic rehabilitation that is wholesome, must be given a huge attention. Unfortunately, at our companies, almost all of them, only the economic rehabilitation is taken into account. The crisis made its way in all segments of the companies and it will take a long time to be

resolved. Some companies will emerge from the crisis more quickly if they find foreign partners who are interested in their product range; many will disappear but a lot of new ones will be open.

The state must be interested into rehabilitation of the company, not just the owners. In order to stimulate domestic production, the government could, in our opinion, help with the following measures:

- provide tax incentives for certain type of production,
- have greater control over smuggling and gray economy,
- stick to certain standards on the importation of goods and not import anything with dubious quality.
- companies in the Republic of Srpska have certain opportunities that should be used, and that is the geographical proximity of the European Union (from July 2013 we border with the European Union), cheap and educated manpower.

Therefore, the development strategy of the Republic of Srpska and Bosnia and Herzegovina should:

- avoid development options that would lead to extertorialization of effects (if raw materials and lower phases of the processing are in exchange with the world),
- gradually change the structure of the economy and give priority to the production of, primarily, material handling, and only later to the tertiary sector, which is otherwise largely dependent on manufacturing activities,
- persist in the choice of orientation should with a complex method development in order to avoid extertorialization,
- there is a need for its own development strategy and its own pattern of development, perhaps this is the most important thing.

The cooperation of our companies with companies from Europe is essential, after analyzing the advantages of this form of cooperation there has to be a plan of the necessary legislation that will enable the creation of respectable economic entities. We have to emphasize the necessity of adopting and building legislation that creates the legal assumptions for the creation of investment funds which will provide quality strategic fusions and acquisitions.

The main objective in the development of this area is a transformation into a self-sustaining economy and economic society. Prerequisites for this are:

- macroeconomic stability,
- reduction of public debt,
- construction of a favorable climate for foreign and domestic investment,
- the use of "joint-wenture"
- completion of the process of privatization of state capital and audit of suspicious privatizations,
- establishment of the rule of law and
- the fight against crime and corruption (question of all questions).

Rehabilitation (economic and entire) of the company is more topical than ever. Companies lost their former markets, a skilled workforce and the

technology is so outdated that every aspect of the production is off. Companies in the Republic of Srpska first need to be rehabilitated and then we should look for a partner with which it will cooperate (merger, fusion, cluster, etc.). Not all companies from all industries should be rehabilitated, in our opinion, the priorities are as follows:

- ❖ agrarian - processing sector, in this domain the Republic of Srpska should become positive in balance,
- ❖ development of wood processing sector (still dominated by primary production).
- ❖ formation of complexes based on processing of bauxite and alumina,
- ❖ encouraging tourism,
- ❖ activation of certain cores of former "large business systems" and clusters that would be able to form around them.

While examining the effectiveness of the rehabilitation, the baseline makes testing of market potential and a company whose benefits from continuing operations is higher than its liquidation value is rehabilitated. Rehabilitation should always be given priority and an advantage in regards to bankruptcy and liquidation. And rehabilitation is a long process that requires both the means and professional people as well as a certain period of time. To create a company that will operate for many years successfully is the goal of every entrepreneur and the rehabilitation is nothing more than to eliminate all, or mostly all, problems that are a disturbance to defined business objective.

CONCLUSION

The Republic of Srpska has rich, but remote natural resources, which represent a key factor in its present and future development, as well as in the economic and geographical formation. The most important natural resources are: agricultural land, forests, hydro-climatic conditions and mining and mineral resources, which represent good basis for further successful development along with the economic structure and built capacities in the Republic of Srpska. In the economic system, the most important place, certainly, should belong to the industry, which is a major segment in the strategy of long-term socio-economic development. The republic of Srpska can offer numerous investment opportunities at very favorable terms to its investors:

- a great potential for agricultural development,
- favorable conditions for the development of thermal and hydro energy sector,
- a strong possibility of providing energy and energy products from renewable sources,
- ore and mineral resources, and
- good tourism potential.

The consequences of transition, globalization, war and the uncontrolled import of low-quality goods have resulted in the loss of the market of a large number of companies engaged in the production or belonging

to the industry. The overall situation in the observed field follows the existence of typical problems such as:

- the lack of our own products (mostly only services are provided),
- pronounced lack of professional staff,
- production process takes place at low capacity (in some companies most of the space is given under a lease),
- outdated equipment, which affects the quality of the product,
- shortage of working capital and funds for investments,
- expensive bank guarantees, complicated, long and costly customs procedures,
- companies usually perform service tasks,
- minimum wage in the industry.

Current processes of globalization and internationalization lead to significant changes in all spheres of life. Global processes are such that it is increasingly insisting on a general affirmation of the market mechanism and equalization of economic conditions worldwide. As a result of recent changes in the global market environment, we can say that today the world market is becoming tighter, there is less available space and that stakeholders and interested parties are increasing. Only active participants can count on equal treatment and favorable market prospects, those who seek the initiative and who are trained to operate under modern market rules and principles. Bonding company time for the domestic market, as a fundamental and decisive, is definitely a thing of the past. With current and a necessary (ownership, organizational, control and marketing) transformation, our companies have to start from a radical change in the way of business thinking. It is necessary to change the landmarks and development priorities in a way that:

- international business orientation should become basic and decisive, and domestic derived one,
- international market should get character of decisive one and a domestic of derived one,
- International commercial and technical standards are basic and domestic are derived.

The question of almost all the questions is how to complete the transition process, when to complete privatization, how to rehabilitate a stumbled and fallen enterprises and can one 'make the company' with regards to the excellent raw material base in the Republic of Srpska, given that raw material base? Many other questions are imposed and the answers on those questions must be found. Skilled labor, raw material base which we own and cooperation or any other form of collaboration with foreign and fair partners, are the exit from the current situation.

ANACIJA KAO MODEL IZLASKA PREDUZEĆA IZ KRIZE

Doc.t dr Slobodan Pešević

Apstrakt: Reč sanacija je latinskog porekla (sanatio) i znači lečenje, sa stanovišta ekonomije preduzeća pod sanacijom se podrazumevaju ekonomske i tehničko-organizacione mere koje treba da doprinesu ozdravljenju preduzeća, u smislu da se ono ponovo učini likvidnim i rentabilnim. Preduzeće se smatra bolesnim ako dugoročno

gledano nije u stanju da izmiruje svoje obaveze i posluje sa gubitkom. Uzroci bolesti mogu biti eksterni i interni. Finansijske teškoće koje se ispoljavaju u nelikvidnosti i nerentabilnosti, uzrokuju potrebu saniranja. Pokretanje saniranja pretpostavlja podobnost saniranja, koja postoji ako je moguće trajno ozdravljenje preduzeća. Utvrđivanje podobnosti saniranja podrazumeva ispitivanje i izbor mera čije sprovođenje obezbeđuje trajno ozdravljenje preduzeća, u smislu ponovnog uspostavljanja finansijske ravnoteže i vraćanja u zonu dobitka. Ukoliko trajno ozdravljenje preduzeća nije moguće, sprovodi se stečaj. Postoji razlika između saniranja u užem i saniranja u širem smislu. Ekonomsko saniranje (saniranje u širem smislu) obuhvata sve mere koje doprinose otkrivanju i otklanjanju uzroka gubitka i obezbeđuju trajno ozdravljenje preduzeća. Finansijsko saniranje (saniranje u užem smislu) usmereno je na otpis gubitka i uspostavljanje finansijske ravnoteže.

Ključne reči: *kriza, deficit, stabilnost cena, privatizacija, simptomi krize, entiteti.*

REFERENCES

1. Bosnia and Herzegovina .: Poverty Assessment, Volume II, World Bank, Report No. 25343-BiH;
2. Božić, R.: Restructuring of enterprises in the RS, Business Directory (Journal of Accounting and Revision) 2002, Bijeljina;
3. Dmitrović- Šaponja Lj; Birovljev J .: Restoration of the company, Proceedings of the 2nd Symposium, Banja Vrućica, 1998;
4. Dojčinović, D .: How to recognize the negative development of the company and internal weaknesses, www.ebizmags.com. 2009;
5. Dragutinovic, D., Filipovic, M., And Cvetanović, S .: Theory of Economic Growth and Development, Faculty of Economics, Belgrade, 2012;
6. Kontić, Lj .: The factors in choosing an enterprise rehabilitation, the Institute for European Studies, Belgrade, 2008;
7. Radovic, D. Radovic, B .: The global economic crisis - a cause or excuse for unemployment in Serbia, Economic perspectives, 2009;
8. Rapaic, S .: The World Trade Organization and enterprises in foreign trade, Publishing Center, Belgrade, 2013.
9. Rodic, J .: Economic and financial rehabilitation of enterprises, Proceedings of the 6th Symposium SRRRS, Banja Vrućica - Teslić, 2002 and