

COMPARATIVE ANALYSIS OF BUSINESS PERFORMANCE OF SMES IN THE FOOD SECTOR IN BOSNIA-HERZEGOVINA, CROATIA AND SERBIA¹

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Abstract

The main objective of this research is to make comparative analysis of the core business performance on the sample of a hundred small and medium enterprises in the food sector in Bosnia-Herzegovina, Croatia and Serbia. The analysis will comprise eight most important financial indicators of business operating of the enterprises in this sector by which the success of their business, with the primary use of benchmarking methodology is measured. Benchmarking methodology basically uses the Balances Scorecard model principles. On this basis, a model of the international database of over 100,000 companies from 24 countries has been created. This database has been used as a basis of comparison (benchmarking) of business performance of individual companies, and Bosnia-Herzegovina is the first country in the region that has been involved in it. The authors chose neighboring countries (Croatia and Serbia) for the comparison because Bosnia-Herzegovina has had a significant trade with them, and as BH, they underwent economic transition as well and they are, in addition to the regional, also direct competitors at the EU market. The research will be conducted with the use of different statistical methods and applicable use of SPSS software. The analysis will primarily relate to the period of 2007-2011 years. This research should determine the competitiveness of enterprises in the food sector in the three neighboring countries, and in which areas the competitiveness is most significant. The aim of the work is to, with the use of identical financial indicators, determine how the small and medium enterprises in the food sector in Bosnia-Herzegovina, Croatia and Serbia operated. In this way it will become known in which business fields the companies from the stated three countries produce the best results, but also it will be observed in which country the food industry suffered the greatest losses as a result of the global financial crisis.

Key words: *Business performance, Food Sector, Bosnia-Herzegovina, Benchmarking methodology, Croatia, Serbia*

INTRODUCTION

Small and medium-sized enterprises (SMEs) are very important part of economic development of every country but at the same time they are representative of private property and entrepreneur spirit. In EU law, category of micro, small and medium-sized enterprises is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding 50 million euro, and/or an annual balance sheet total not exceeding 43 million euro. SMEs are very important for the countries in transition and developing countries especially because of the problem of unemployment and unequal distribution of earnings. In EU there are around 23 million of SMEs and they have

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provided two thirds of the total private employment and around 80% of new jobs. To highlight the role and importance of SMEs, it is necessary to analyze the impact of SMEs sector on the business performance of individual industries in the national economy, and in this paper it is the business performance of the food sector.

Food industry means use of natural resources and countries like BiH, Croatia and Serbia have excellent potentials to use their resources. These resources are specifically related to the production of healthy food to meet the demand on domestic and international market. But the main problem is that resources are not used well or sufficiently. Food sector employs a proportionately high number of employees, often with a very low qualification structure; it contributes to the generation of income both at the level of households and farmhouse production, and at the level of simple organizational forms (collectives)⁴. Average number of employees per company in the sector is the highest in Croatia 27, followed by Serbia 22, while with 20 employees – it is the lowest in BiH⁵. This research will show that there are considerable differences in the food sector in observed countries.

SMES SECTOR IN BIH, CROATIA AND SERBIA

SMEs are generator of changes in the economy because they increase the mobility of the labor market, employment and exports, provide opportunities for development and generally they are an engine of economic development. In BiH the situation in SMEs sector is very specific. There is no law on a state level so there is no unique definition of SMEs what means that every entity uses their own definition of SMEs. In 2010 in BiH there was between 26.000 to 29.000 companies from which 97% were SMEs. It is important to say that BiH is signatory of The Small Business Act⁶ (SBA). According to data collected by *Doing business*, BiH stands at 162nd place in the ranking of 185 economies on the ease of starting a business. To start a business in BiH it requires 11 procedures, takes 37 days, costs 14.9% of income per capita and requires paid-in minimum capital of 29.1% of income per capita.⁷

Table 1. The ease of starting a business in BiH in period 2010-2013

Indicator	2010	2011	2012	2013
	Rank	-	-	162
Procedures (number)	12	12	12	11
Time (days)	69	64	40	37
Cost (% of income per capita)	15,8	17,7	17,0	14,9
Paid in Min. Capital (% of income per capita)	29,8	30,5	29,4	29,1

Source: *Doing business database*.

Without law of SMEs on state level BiH losses financial help from EU what is not a good signal to entrepreneurs who want to start a business in their own country. But beside all these problems, there is a great number of companies who succeeded what we will see in the second part of this paper.

⁴Association of Business Consultants in BiH, *Benchmarking report for 2012: Comparative analysis of business performance of the companies in BiH in food, wood and metal sectors compared with the same sectors in Croatia and Serbia*, (Sarajevo, 2013.), p.23.

⁵Ibid, p.24.

⁶The Small Business Act (SBA) is the EU's flagship policy initiative in support of Small and Medium-sized Businesses. SBA is a set of 10 principles which should guide the design and implementation of policies both at EU and national level.

⁷The World Bank and International Finance Corporation, *Doing business Bosnia and Herzegovina: Smarter Regulations for Small and Medium-Size Enterprises*, (Washington, DC: WBG, 2013.), p.15

From July 2013, Croatia became the 28th EU member so their legislation in this area is consistent with the EU laws. According to data collected by „Doing business“, Croatia stands at 80th place in the ranking of 185 economies on the ease of starting a business. To start a business in Croatia it requires 6 procedures, takes 9 days, costs 7.3% of income per capita and requires paid-in minimum capital of 13.4% of income per capita.⁸

Table 2. The ease of starting a business in Croatia in period 2010-2013

Indicator				
	2010	2011	2012	2013
Rank			72	80
Procedures (number)	7	6	6	6
Time (days)	22	9	9	9
Cost (% of income per capita)	8,4	8,6	8,6	7,3
Paid in Min. Capital (% of income per capita)	13,4	13,7	13,8	13,4

Source: Doing business database.

Croatia SMEs sector is characterized by a large proportion of SMEs in general, and small firms in particular and the Croatian SME sector closely reflects that of the EU average, with micro and small enterprises accounting for nine out of every ten enterprises. On average, an SME in Croatia employs 5 workers which is slightly higher than the EU average of 4,2 persons. In terms of sectoral distribution, 39% of the Croatian SMEs are active in service sectors such as renting and business services, transport, tourism or constructions, 32% are active in trade and only about 16% work in manufacturing.⁹

Of observed countries, Serbia is the largest market in the region. According to data collected by Doing Business, Serbia stands at 42nd in the ranking of 185 economies on the ease of starting a business. To start a business in Serbia it requires 6 procedures, takes 12 days, costs 7.7% of income per capita and requires paid-in minimum capital of 0.0% of income per capita.¹⁰

Table 3. The ease of starting a business in Serbia in period 2010-2013

Indicator				
	2010	2011	2012	2013
Rank			91	42
Procedures (number)	7	7	7	6
Time (days)	13	13	13	12
Cost (% of income per capita)	7,1	7,9	7,8	7,7
Paid in Min. Capital (% of income per capita)	6,1	6,0	6,0	0,0

Source: Doing business database.

According to the data provided by the Serbian National Statistical Office, Serbia's SMEs sector has a higher share of small, medium, and large companies than the EU average. The SMEs sector contributes less to employment and value-added than in the EU, but it still accounts for more than half of all workers in the business economy, and half of the contribution to gross domestic product. On average, SMEs in Serbia employ 7.3 workers, which is significantly higher than the 4.5 EU average,

⁸The World Bank and International Finance Corporation, *Doing business Croatia: Smarter Regulations for Small and Medium-Size Enterprises*, (Washington, DC: WBG, 2013.), p.15

⁹European Commission-Enterprise and Industry: *SBA Fact Sheet for Croatia*,(s.l.,2011.), p.1

¹⁰ The World Bank and International Finance Corporation, *Doing business Serbia: Smarter Regulations for Small and Medium-Size Enterprises*, (Washington, DC: WBG, 2013.), p.15

suggesting a need to do more to develop Serbia's framework conditions for entrepreneurship. SMEs in Serbia are concentrated in the business service sector, followed by trade, transport, tourism, construction and manufacturing¹¹.

Although the SMEs sector in the observed countries has improved, especially if we consider the fact that all three countries were part of socialism regime, it still needs to make more efforts from the policy makers to provide all conditions needed to create a good environment for entrepreneurship.

FOOD INDUSTRY IN BIH, CROATIA AND SERBIA

In this part of paper authors gave a brief outline of the food industry in Bosnia and Herzegovina, Croatia and Serbia with special reference to the SWOT analysis of observed countries.

Food sector is very important for the countries of Western Balkan because it significantly contributes to countries GDP and their exports. Main territory of Bosnia and Herzegovina is covered by forest. It is important to notice that BiH is on the 5th position in Europe by forest wealth. On the other hand BiH is a strong net-importer of food. Annual import of agricultural and food products is worth over 2.6 billion KM, which is about 16 percent of total imports into the country. Annual export of agricultural products is about 410 million KM. The largest share of imported food are processed agricultural products, as products with added value, while the value of imported unprocessed primary agricultural products is lower although the imported quantity is much more. Imported foods often don't have the same quality in BiH as in the developed countries, even if it is the same brand and manufacturer. SWOT analysis of BiH includes the following¹²:

SWOT analysis for BiH

Strengths	Weaknesses
<ul style="list-style-type: none"> - Connection to Bosnian diaspora - Sufficient quality water - Favourable conditions for food production - Large companies have quality management systems 	<ul style="list-style-type: none"> - Strong importer of food - Fragmented primary production - Small size of processing companies - Low technology and administrative difficulties - Political risks
Opportunities	Threats
<ul style="list-style-type: none"> - Domestic market - CEFTA member - Duty-free access to the EU market for most products - Harmonization with EU in proces 	<ul style="list-style-type: none"> - Strong market dominance of foreign brands - Low purchasing power of domestic consumers - High unemployment

In Croatia, food products represents 74% in total exports of food and agriculture products. Croatia has 1,3 million ha of arable land and very long tradition in food industry and very good climate conditions for growing many varieties. Although all this positive facts, at the moment country is facing challenges in the area of food industry because of countries entrance to EU were national companies will have to operate in conditions of tight competition. At the moment country became EU member, the membership in CEFTA was over for Croatia whose products were well-positioned on CEFTA market. The main problem will be export on Croatians most important market – Bosnia and Herzegovina. SWOT analysis of Croatia includes the following¹³:

¹¹ European Commission-Enterprise and Industry: *SBA Fact Sheet for Serbia* ,(s.l.,2012.), p.1

¹² GFA Consulting Group, *Food Industry Study in Southeast Europe: Final Report*, (Hamburg, 2010), p. 27.

¹³GFA Consulting Group, *Food Industry Study in Southeast Europe: Final Report*, (Hamburg, 2010), p. 20

SWOT analysis for Croatia:

Strengths	Weaknesses
<ul style="list-style-type: none"> - Food sector is the main sector - Large companies with expansion into neighbouring countries - As a EU member new markets to export their products 	<ul style="list-style-type: none"> - Relatively weak agricultural production - Production costs relatively high - Dependence on raw material imports - Low share of EU markets - Dependence on CEFTA market
Opportunities	Threats
<ul style="list-style-type: none"> - Rising foreign investments - High quality of domestic products - EU funds for agriculture 	<ul style="list-style-type: none"> - High unemployment - Competition from EU countries - Big public debt - Big losses of leaving CEFTA

Of observed countries, Serbia is the world's third largest producer of raspberries. In 2012 export of food-agri products was worth 2.090 millions of euro. Food industry is the most important area of the manufacturing industry in Serbia. It generates about 30% of total operating revenues and in the total exports it accounts for about 15.5%. The situation of Serbia can be best analyzed through SWOT analysis that includes the following¹⁴:

SWOT analysis for Serbia

Strengths	Weaknesses
<ul style="list-style-type: none"> - Largest size of arable land (5,1 million ha). - Long tradition in food industry. - Low labor costs. - EU candidate status in 2011. 	<ul style="list-style-type: none"> - Only few brands are internationally recognized, - Fragmented primary production, - Political risks - Unstable domestic currency (RSD)
Opportunities	Threats
<ul style="list-style-type: none"> - Large domestic market - Large regional market - CEFTA member - Free Trade Agreement with Russia - Harmonization with EU in process 	<ul style="list-style-type: none"> - Natural risks (floods) - Low purchasing power of domestic consumers - High unemployment

From the SWOT analysis we can conclude that all three countries still have a lot of strengths and opportunities to use and weaknesses and threats to be aware of them and to improve them.

BENCHMARK ANALYSIS OF THE FOOD PRODUCTION SECTOR IN BIH, CROATIA AND SERBIA

Benchmark analysis of the food production sector in BiH, Croatia and Serbia shows that number of companies in the food sector in the period 2007 - 2011 is stagnating in BiH while in Croatia and Serbia it shows the tendency of growth. In 2011 in BiH there was 949 companies with total of 19,003 employees who generated the total revenue of 2,86 billion KM.

¹⁴Ibid. p.11

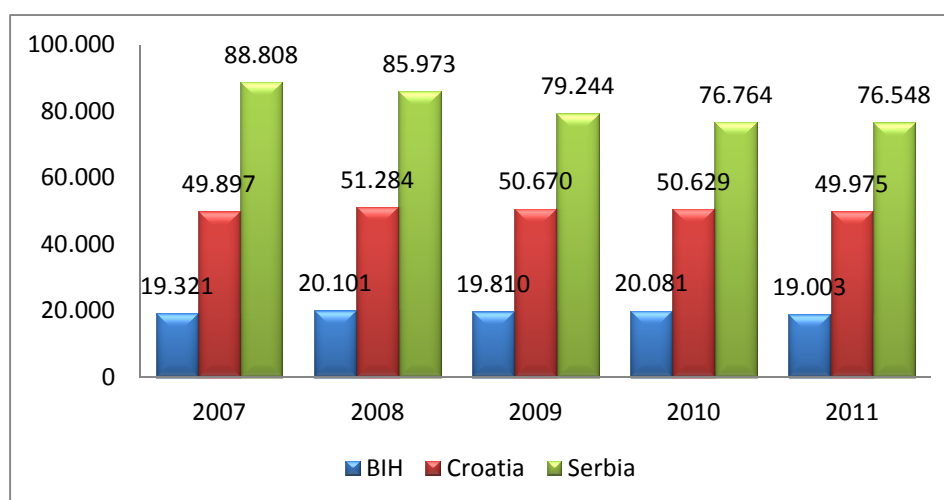
Table 4. Food sector in BiH, Croatia and Serbia

FOOD SECTOR	BIH	CROATIA	SERBIA
Total revenue in BAM (2011)	2.860.623.292	9.844.893.513	11.066.141.104
Number of FTE employees (2011)	19.003	49.975	76.548
Number of companies (2011)	949	1.799	3.373

Source: *Banchmarking report for 2012: Comparative analysis of business performance of the companies in BiH in food, wood and metal sectors compared with the same sectors in Croatia and Serbia*

Compared to Croatia, who has almost twice many companies with 2,6 times more employees and 3,44 time higher total revenue, BiH is not in a good position. But on the other hand if we compare BiH and Serbia we can see that there are 3,6 times more companies in Serbia with only 3,5 time higher total revenue. In the period from 2007 to 2010 the number of employees varies, so in Croatia there was almost identical number of employees while in Serbia it dropped by 12.044. We can notice that global financial crisis didn't have major impact in Croatia and BiH like in Serbia. Also in the period of crisis in BiH there has been a mild drop in employment, amounted to 1,6 % while at the same period in Serbia number of employees was 13,6 % less.

Figure 1. Number of FTE employees in Food sector in BiH, Croatia and Serbia



Source: *Banchmarking report for 2012: Comparative analysis of business performance of the companies in BiH in food, wood and metal sectors compared with the same sectors in Croatia and Serbia.*

Table 5: Total revenue in Food sector in BiH, Croatia and Serbia

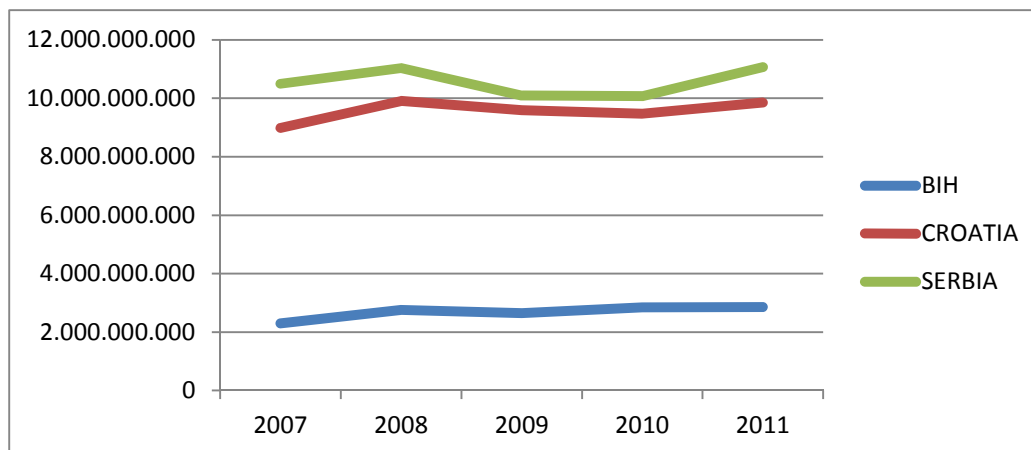
FOOD SECTOR	BIH	CROATIA	SERBIA
Total revenue (2007)	2.298.861.151	8.990.769.910	10.495.776.210
Total revenue (2008)	2.756.304.841	9.898.480.805	11.033.626.958
Total revenue (2009)	2.652.065.410	9.582.874.078	10.092.028.463
Total revenue (2010)	2.847.436.644	9.467.520.753	10.071.121.655
Total revenue (2011)	2.860.623.292	9.844.893.513	11.066.141.104

Source: *Banchmarking report for 2012: Comparative analysis of business performance of the companies in BiH in food, wood and metal sectors compared with the same sectors in Croatia and Serbia*

Indicators of total revenue in BiH show the tendency of growth where in period from 2007 to 2011 total revenue of these companies grew by 24,4 %, in Croatia the grow was 9,5 % and in Serbia the sector saw a decline of total revenue that amounted to 4 percentage points.

From the table above we can conclude that, comparing to BiH, Croatia has well-developed production capacities in the food sector because in the same period Croatia realised 4,3 times higher export.

Figure 2. Total revenue of companies in the food sector in the period 2007-2011



Source: *Banchmarking report for 2012: Comparative analysis of business performance of the companies in BiH in food, wood and metal sectors compared with the same sectors in Croatia and Serbia*

Benchmark analysis of key performance indicators

Benchmark analysis of key performance indicators considers analyses of: Net Profit Margin, Return on total assets (ROTA), Staff costs as a percentage of sales, Current ratio, Total revenue per full-time employed employee, Profit before tax per-full time employed employees and Gross gearing.

Net Profit Margin

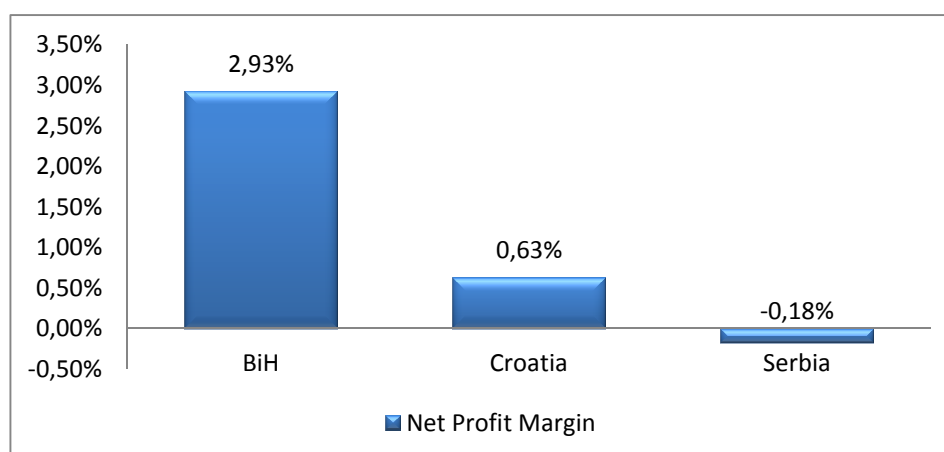
The analyses of Net Profit Margin indicator considers 90 companies in BiH, Croatia and Serbia. The indicator varies in observed countries where the highest was demonstrated by companies in BiH (2,93%), in Croatia (0,63) while in Serbia companies didn't make any profit and their Net Profit Margin was -0,18%.

Table 6. Net Profit Margin in food sector in BiH, Croatia and Serbia

Net Profit Margin		Number of Companies	Minimum %	Mean %	Maximum %
Sector	Country				
FOOD SECTOR	BiH	90	-16,06	2,93	14,84
	Croatia	91	-20,48	0,63	15,97
	Serbia	91	-57,02	-0,18	22,79

Source: *Banchmarking report for 2012: Comparative analysis of business performance of the companies in BiH in food, wood and metal sectors compared with the same sectors in Croatia and Serbia*

Figure 3. Net Profit Margin in the food sector in BiH, Croatia and Serbia



Source: *Banchmarking report for 2012: Comparative analysis of business performance of the companies in BiH in food, wood and metal sectors compared with the same sectors in Croatia and Serbia*

To understand better the reasons for these results, it is necessary to analyze the taxation system in observed countries. Net profit margin of companies manufacturing meat and poultry meat products in BiH is favorable and amounts to 3,34 % so that it is considerably better than the net profit margin of companies in Croatia (1,15%) and Serbia (1,33%). Significant differences were recorded still in the companies dealing with the manufacture of dairy products where the highest net profit margin in 2011 was realized by the companies from BiH (2,49%), while Croatian companies had a negative net profit margin (-7,96%) and those from Serbia had this indicator as low as -28,36% (this sample includes 21 companies from observed countries)¹⁵. In bread and fresh pastry goods and cakes manufacturing, companies from BiH realized the highest net profit margin (3,33%) while in Serbia the net profit margin was 1,15 % and in Croatia it had negative percent (-0,71%).

Figure 4. Net Profit Margin in manufacture of bread, fresh pastry goods and cakes in BiH, Croatia and Serbia



Source: *Banchmarking report for 2012: Comparative analysis of business performance of the companies in BiH in food, wood and metal sectors compared with the same sectors in Croatia and Serbia.*

Return on total assets (ROTA)

Return on total assets ratio is considered an indicator of how effectively a company is using its assets to generate earnings before contractual obligations must be paid. Higher percentage of return indicates

¹⁵Association of Business Consultants in BiH, *Benchmarking report for 2012: Comparative analysis of business performance of the companies in BiH in food, wood and metal sectors compared with the same sectors in Croatia and Serbia*, (Sarajevo, 2013.), p. 29

that company assets are better used. ROTA indicator is consisted by two indicators: the percentage of sales margin and the turnover of assets which influences the basic indicator. According to this companies from BiH, in 2011, didn't lag significantly behind companies from Croatia and Serbia. Also it is important to notice that when the indicator was calculated some companies had ROTA with extreme values so they were excluded from the sample.

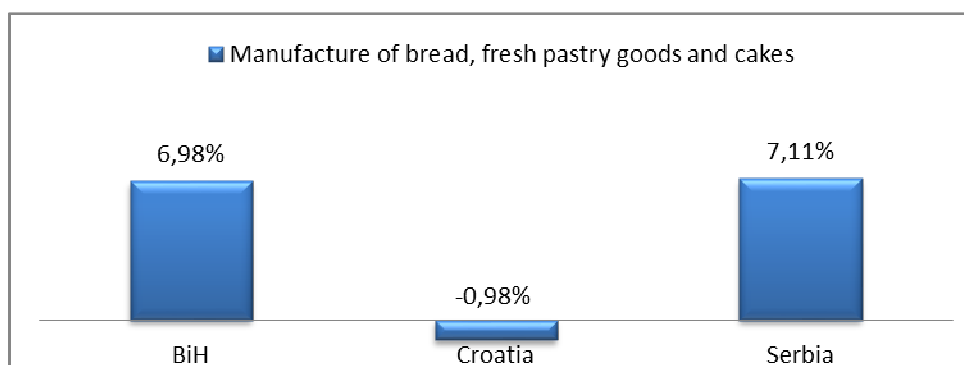
Table 7. ROTA in food sector in BiH, Croatia and Serbia

ROTA		Number of Companies	Minimum %	Mean %	Maximum %
Sector	Country				
FOOD SECTOR	BiH	90	-7,76	5,42	22,41
	Croatia	90	-12,18	2,12	18,36
	Serbia	90	-23,37	4,06	37,57

Source: Banchmarking report for 2012: Comparative analysis of business performance of the companies in BiH in food, wood and metal sectors compared with the same sectors in Croatia and Serbia

Relating the manufacture of dairy products and cheese making, companies from BiH were better than companies in Croatia and Serbia. The reasons could be found in the significantly higher value of assets owned by the companies in Croatia as a result of better and higher level of technical equipment, high hygiene and other technical and technological standards. In the sector for the manufacture of bread, fresh pastry goods and cakes companies from BiH were also doing better than those from Croatia and Serbia.

Figure 5. ROTA in manufacture of bread, fresh pastry goods and cakes in BiH, Croatia and Serbia



Source: Banchmarking report for 2012: Comparative analysis of business performance of the companies in BiH in food, wood and metal sectors compared with the same sectors in Croatia and Serbia

Favorable position of the companies from BiH in the observed NACE Codes could be found by the considerably lower level of technical equipment (what means the lower value of assets) and relatively high profit margin.

Staff costs as a percentage of sales

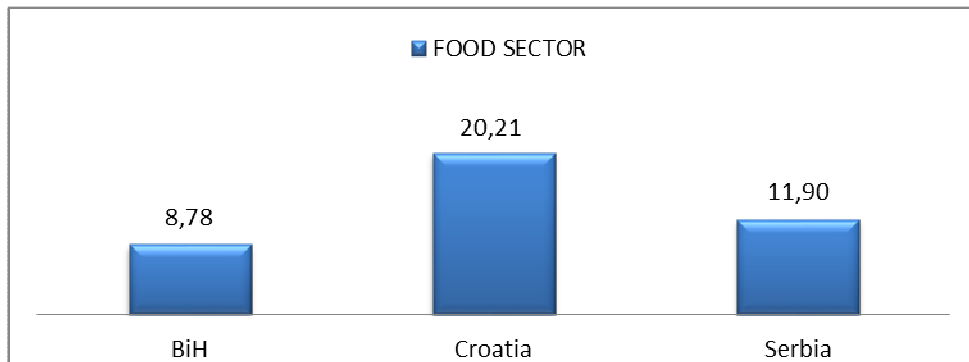
Staff costs as a percentage of sales is an indicator of the price of labor. For the observed countries this indicator is almost the identical.

Table 8. Staff costs as a percentage of sales in BiH, Croatia and Serbia

STAFF COSTS AS A PERCENTAGE OF SALES		Number of Companies	Minimum %	Mean %	Maximum %
Sector	Country				
FOOD SECTOR	BiH	90	1,80	8,76	22,66
	Croatia	90	5,44	20,21	54,65
	Serbia	90	2,79	11,90	37,93

Source: Banchmarking report for 2012: Comparative analysis of business performance of the companies in BiH in food, wood and metal sectors compared with the same sectors in Croatia and Serbia

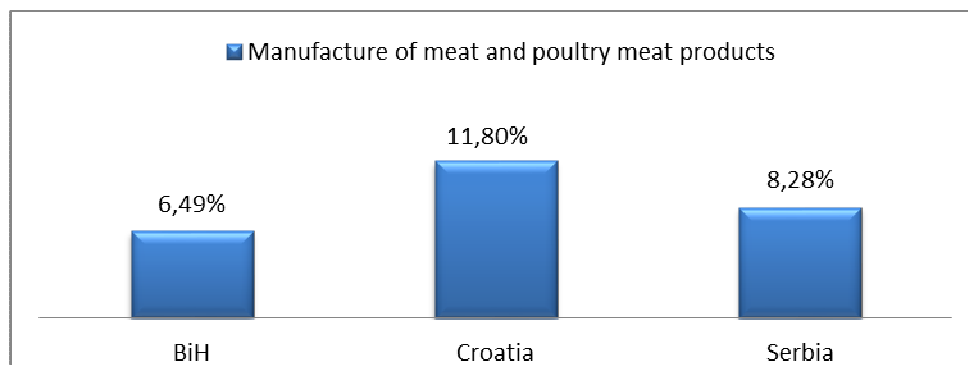
Figure 6. Staff costs as a percentage of sales in food sector in BiH, Croatia and Serbia



Source: Banchmarking report for 2012: Comparative analysis of business performance of the companies in BiH in food, wood and metal sectors compared with the same sectors in Croatia and Serbia

In the individual NACE Code – Manufacture of meat and poultrymeat, the staff cost vs. sale were the highest in Croatia (11,80%), in Serbia they were 8,28 % and the lowest were in BiH (6,49%).

Figure 7: Staff costs as a percentage of sales in production of meat and poultry meat products in BiH, Croatia and Serbia

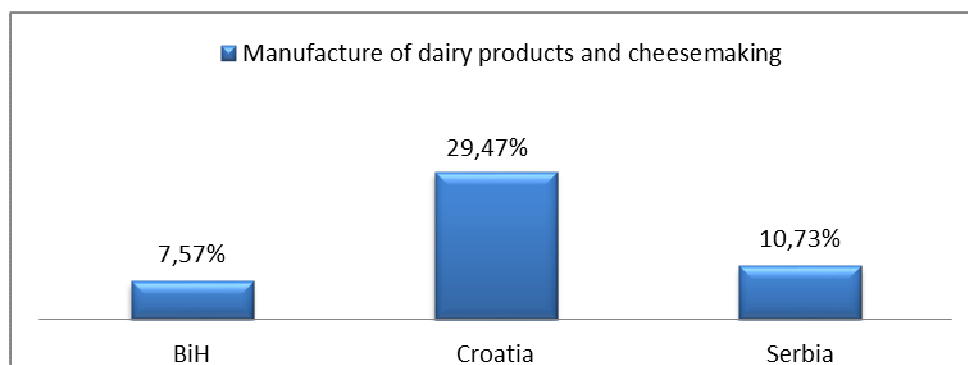


Source: Banchmarking report for 2012: Comparative analysis of business performance of the companies in BiH in food, wood and metal sectors compared with the same sectors in Croatia and Serbia.

In the NACE Code – Manufacture of dairy products and cheesemaking the costs were the highest in Croatia 29,47% than in Serbia 10,73 % and the lowest in BiH 7,57%.

In the NACE Code – Manufacture of bread, fresh pastry goods and cakes the highest costs were also in Croatia 37,19%, in Serbia 18,23 % and in BiH 15,85%. These results can be explained by a high share of manual work in the production of mainly small bakeries.

Figure 8: Staff costs as a percentage of sales in production of dairy products and cheesemaking in BiH, Croatia and Serbia



Source: Banchmarking report for 2012: Comparative analysis of business performance of the companies in BiH in food, wood and metal sectors compared with the same sectors in Croatia and Serbia.

Current ratio

Current ratio is also known as "liquidity ratio", "cash asset ratio" and "cash ratio". Current ratio measures a company's ability to pay short-term obligations. The value of this indicator in the observed countries is most favorable in BiH than in Croatia and Serbia.

Table 9: Current ratio in food sector in BiH, Croatia and Serbia

CURRENT RATIO		Number of Companies	Minimum %	Mean %	Maximum %
Sector	Country				
FOOD SECTOR	BiH	90	0,35	1,49	5,96
	Croatia	90	0,52	2,14	13,38
	Serbia	90	0,38	1,59	5,11

Source: Banchmarking report for 2012: Comparative analysis of business performance of the companies in BiH in food, wood and metal sectors compared with the same sectors in Croatia and Serbia.

The mean value of this indicator in the companies dealing with the manufacture of meat products and poultrymeat products in BiH IS 0,84, in Croatia 1,34 and in Serbia 1,07%. It is important to notice that the optimum value of this indicator is from 1,8 to 2,0 what means that companies in this field have problems with the liquidity.

Total revenue per full-time employed employee

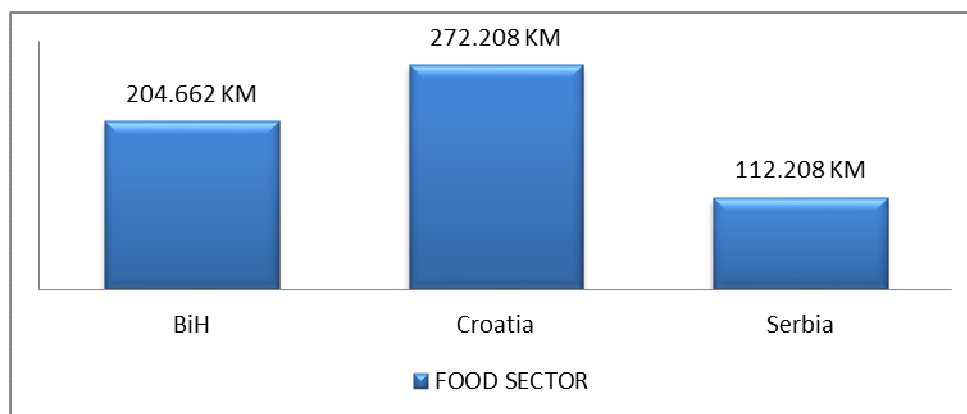
This indicator shows that companies in BiH were in more favorable position than the companies in Serbia but in worse position than companies in Croatia. Worker in BiH in the food sector realized 13,2% higher revenue than his colleagues in Serbia and in Croatia this indicator was 6,3%. Total revenue per a full-time employee in the field of manufacture of meat and poultrymeat products is 46% higher in Croatia than in BiH and even 3,5 times higher than total revenue made by an employee in Serbia. In manufacture of dairy and cheesemaking, companies from BiH achieved the most favorable where an employee of a company from BiH generated 2,5 times higher revenue than the one in Serbia.

Table 10. Total revenue per FTE employee in food sector in BiH, Croatia and Serbia

Total revenue per FTE employee		Number of Companies	Minimum KM	Mean KM	Maximum KM
Sector	Country				
FOOD SECTOR	BiH	90	44.613	204.662	657.564
	Croatia	90	83.501	272.208	734.023
	Serbia	90	18.456	112.018	311.363

Source: Banchmarking report for 2012: Comparative analysis of business performance of the companies in BiH in food, wood and metal sectors compared with the same sectors in Croatia and Serbia.

Figure 9. Total revenue per FTE employee in food sector in BiH, Croatia and Serbia

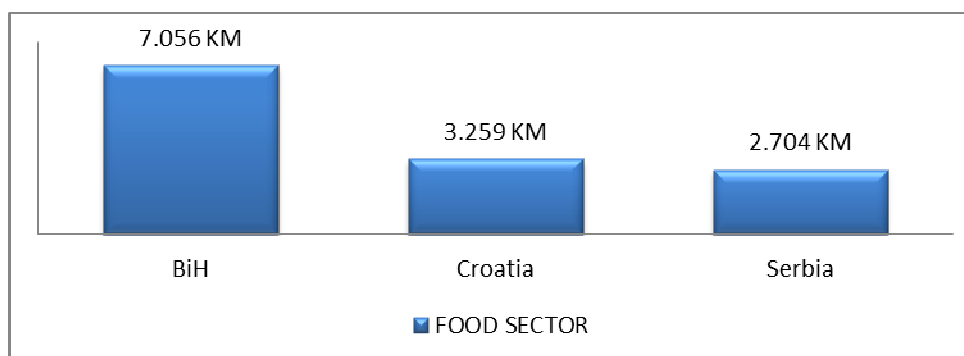


Source: Banchmarking report for 2012: Comparative analysis of business performance of the companies in BiH in food, wood and metal sectors compared with the same sectors in Croatia and Serbia.

Profit before tax per full-time employed employees

This indicator shows that companies from BiH had best results were profit before tax per FTE employee were 7.056 KM, in Croatia it was 3.159 KM and in Serbia it was 2.794 KM. In the manufacture of meat and poultrymeat products in Croatia amounted to 7.202 KM and is almost four times higher than the profit made by workers in the same field in Serbia, 1.857 KM. For BiH employees in this field the level of profit before tax was 5.740 KM. Companies in the field of manufacture of dairy and cheesemaking in BiH were more successful than those in Croatia and Serbia. Companies from BiH generated 7.807 KM profit before tax per a FTE employee while in Croatia it was 709 KM and 1.291 KM in Serbia.

Figure 10. Profit before tax per FTE employee in food sector in BiH, Croatia and Serbia



Source: Banchmarking report for 2012: Comparative analysis of business performance of the companies in BiH in food, wood and metal sectors compared with the same sectors in Croatia and Serbia.

Gross gearing

Gross gearing is one of the most relevant indicators in corporate finance. Gearing is a measure of financial leverage, demonstrating the degree to which a firm's activities are funded by owner's funds versus creditor's funds. In EU if this indicator exceeds the standard value (for the food sector in EU 0,5 i.e. 50%) the company will face long-term problem which can lead to its bankruptcy and even liquidation.

Table 11. Gross gearing in food sector in BiH, Croatia and Serbia

GROSS GEARING		Number of Companies	Minimum %	Mean %	Maximum %
Sector	Country				
FOOD SECTOR	BiH	84	0,01	1,17	7,04
	Croatia	90	0,00	1,26	10,42
	Serbia	80	0,01	0,89	4,64

Source: *Banchmarking report for 2012: Comparative analysis of business performance of the companies in BiH in food, wood and metal sectors compared with the same sectors in Croatia and Serbia.*

This indicator shows that companies from Serbia were the least indebted while companies from BiH and Croatia were over-indebted given the their respective debts were 1,26 and 1,17 times higher than their capital.

CONCLUSION

SMEs sector is the key of country's development. In BiH, Croatia and Serbia, SMEs sector is still in progress. In this paper, authors gave a comparative analysis of business performance of SMEs in the food sector in BiH, Croatia and Serbia. All three countries have a long tradition in food production and although there where cyclical instability, stagnation or slowed-down growth, this paper shows that food sector in observed countries is very important for their economy. The results of comparative analysis of business performance of SMEs in the food sector in BiH, Croatia and Serbia (where identical financial indicators were used) can be described in the following:

- In the period from 2007 to 2011 number of companies in the food sector in BiH is stagnating (949 companies) while in Croatia (1.799 companies) and Serbia (3.373 companies) it shows the tendency of growth.
- In the period from 2007 to 2011 the number of employees varies, so in Croatia there was almost identical number of employees while in Serbia it dropped by 12.044. Analysis show that global financial crisis didn't have major impact in Croatia and BiH like in Serbia where in the period of crisis in BiH there has been a mild drop in employment, amounted to 1,6 % while at the same period in Serbia number of employees was 13,6 % less.
- Indicators of total revenue in BiH show the tendency of growth where in period from 2007 to 2011 total revenue of these companies grew by 24,4 %, in Croatia the grow was 9,5 % and in Serbia the sector saw a decline of total revenue that amounted to 4 percentage points.
- The Net Profit Margin indicator varies in observed countries where the highest was demonstrated by companies in BiH (2,93%), in Croatia (0,63 %) while in Serbia companies didn't make any profit and their Net Profit Margin was -0,18%.
- Return on total assets (ROTA) indicator shows that companies from BiH, in 2011, didn't lag significantly behind companies from Croatia and Serbia.
- Staff costs as a percentage of sales indicator is almost identical for the observed countries.
- Current ratio indicator is most favorable in BiH than in Croatia and Serbia.
- Total revenue per full-time employed employee indicator shows that companies in BiH were in more favorable position than the companies in Serbia but in worse position than companies in Croatia.

- Profit before tax per-full time employed employees indicator shows that companies from BiH had best results were profit before tax per FTE employee were 7.056 KM, in Croatia it was 3.159 KM and in Serbia it was 2.794 KM.
- Gross gearing indicator shows that companies from Serbia were the least indebted while companies from BiH and Croatia were over-indebted given the their respective debts were 1,26 and 1,17 times higher than their capital.

ood sector can be a good development potential in the economy of all three observed countries so countries government must make conditions in which food industry can prosper.

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