

Performance of Companies in Bosnia and Herzegovina in 2011

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This paper analyses performance of companies in Bosnia and Herzegovina. Companies are divided into main sections and divisions, according to the NACE Rev. 2 statistical classification of EU, as well as by their size. Analyses of overall performance in terms of sales, export, profitability, employment, and trends in 2011 are elaborated in this paper. Special focus is on working capital management of companies in Bosnia and Herzegovina and comparison of their performance to that of companies in EU and USA. This research paper explores the following questions: is there a difference in overall performance measured by the size of companies (small and medium companies compared to large companies) and performance of companies in industry sectors with potential advantages based on the development strategies in the country (wood processing industry, metals industry, manufacturing of food)? Is there a difference in performance when industry sector is analyzed vertically (i.e. in metals industry, comparison of performance between companies in mining industry and manufacturing of metals)? Is there a difference in main categories of working capital management (days of sales outstanding, days of inventory, and days of payables outstanding) between industry sectors, within one industry sector, and between small and medium companies and large companies? The research has been performed based on financial statements of all companies that have submitted their reports to authorized entity agencies (AFIP and APIF) for 2010 and 2011. In total, 28,505 limited liability and shareholding companies have submitted their financial reports for the fiscal year 2011. The results show overall weak performance, especially for small and medium sized companies, in terms of

profitability, growth, and return on equity and exports. There are also significant differences in performance among industry sectors and within some industry sectors. It indicates that performance in main industry sectors is weaker when moving up vertically in main industry sectors. These results may imply that companies in Bosnia and Herzegovina are resource based, and that they do not apply innovation and technology, which would give them a sustainable competitive advantage on the market. Results also show that working capital management of B&H companies is far below the level of companies in EU and the USA. Analysis of working capital management based on the size of companies' shows substantial differences between SME and large companies in B&H.

Keywords: Company performance, Working capital management, Days of sales outstanding, Days of inventory, Days of Payables outstanding, Cash to cash cycle.