

# Restructuring of Companies in the Republic of Srpska as an Assumption of Survival, Growth and Development

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The paper points to the need, importance, and approach to restructuring of the company in a dynamic business environment, understood as a process of continuous monitoring and review of the total potential, performance and market position of companies in the function of ensuring its survival, growth, and development. The aim of this paper is to research approaches, practices, and results of restructuring of companies in the Republic of Srpska. The research is focused on the restructuring of the companies in the implementation of bankruptcy proceeding in the Republic of Srpska through legally allowed process of reorganization of the bankruptcy debtor. Secondary information sources consist of previous analyses of the efficiency of bankruptcy proceeding in the Republic of Srpska focusing on restructuring (World Bank—International Finance Corporation, from 2004 to 2015; and the Supreme office for the Republic of Srpska public sector auditing—Performance audit report “Bankruptcy proceeding in the Republic of Srpska” for the period from 2008 to 2011). The empirical research is based on a survey of bankruptcy trustees in the Republic of Srpska during 2015, and direct inquiries in connection with the bankruptcy plan, as a method of restructuring, according to the relevant institutions involved in this area. The results of the study indicate the basic determinants and modest results of bankruptcy debtors in reorganization of companies in the Republic of Srpska, namely that the liquidation of the company is the dominant outcome of the bankruptcy proceedings in the Republic of Srpska. The reasons are numerous, and the untimely initiation of bankruptcy proceedings and the unfavorable climate for investing are the main obstacles that prevent the reorganization of the company during the conduct of the bankruptcy proceedings.

*Keywords:* company crisis, restructuring, bankruptcy, reorganization plan, reorganization, company liquidation

## Introductory Remarks

Business of companies in the modern dynamic and competitive business environment is exposed to the impact of numerous internal and external factors. Acting individually, but also in correlation and synergy they affect the current and future performance and may threaten the survival, growth, and development as the goal of the owner, and all other stakeholders. The interest of all stakeholders from the administration to the

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government is that companies operate successfully, grow and develop continuously, effectively use and acquire new resources, operate efficiently and profitably and successfully achieve their target function. However, achieving this goal is not easy. Therefore, the business of a company is faced with many problems, which, if not timely and successfully resolved, can lead to a variety of crises, thus significantly reducing the efficiency of performance, and ultimately leading to the closure of the company, or to bankruptcy. This negative scenario is potentially possible for each company during its “working” life, and its probability increases significantly during the general or the global financial and economic crisis that leads to the recession, the decline in production, demand, employment... To forestall such a scenario requires adequate “early warning system” and adequate response by the competent and responsible ones, that is the rehabilitation or restructuring as a proactive and ongoing approach. Despite a relatively rich literature and methodological approaches, in practice there are numerous problems and issues in an effort to apply adequate access to company restructuring, either as part of regular and preventive activities and actions of company business management, whose aim is to anticipate the crisis through corrective measures and activities after the problems threatening to undermine the survival of the company had already incurred, including an attempt to rescue the company through reorganization during the implementation of the bankruptcy proceeding.

This paper points to the need, importance, and approach to restructuring of company in a dynamic business environment, understood as a process of continuous monitoring and review of total potential, performance and market position of companies in the function of ensuring its survival, growth and development. The aim is to explore approaches, practices, and results of restructuring of companies in the Republic of Srpska. It was not possible to obtain adequate information on the successful restructuring of companies in the Republic of Srpska, because there are very few successful examples and publicly available data, and since it has been assessed that the paper is likely to attract more attention of the business and academic world and alert them to the serious approach to this issue, the research is therefore focused on the restructuring of the company in the process of bankruptcy implementation in the Republic of Srpska by means of lawfully allowed process of the bankruptcy debtor’s reorganization. Secondary sources of information include past analyses of efficiency of bankruptcy proceeding in the Republic of Srpska focusing on restructuring. The empirical research is based on a survey of bankruptcy trustees in the Republic of Srpska carried out in 2015, and direct inquiries regarding the bankruptcy plan, as a method of restructuring, sent to the relevant institutions involved in this area. The paper consists of the following parts: 1. Introductory remarks; 2. The need, importance, and approach to company restructuring and a review of relevant literature; 3. Practice and previous company restructuring researches in the Republic of Srpska (approach, methods, and results); 4. Results of empirical research (analysis and discussion); 5. Conclusion; and 6. References.

### **Need, Importance, and Approach to Company Restructuring and a Review of Relevant References**

A company that aims to achieve the goals of its owner who had invested capital in its establishment and operation, needs to survive in the long term, that is, to continue operating successfully and carry out the activity for which it is registered. Starting from this understanding of a “going concern” concept of the company (or the principle or presumption of continuity of operations), i.e. motives of its owners that the company should permanently operate through a satisfactory overall business performance synthetically expressed through the viability or profitability and increase of their capital, the business owners are logically interested in the

prevention of the crisis, which means the effective rehabilitation or restructuring if and when problems arise and when they have the ability to request and ensure it from the management. The risk of potential losses, and therefore the interest in prevention of the crisis and the restoration of the company “stumbled and troubled, in the sense that it is rendered liquid and profitable” (Ranković, 1996), is not borne only by owners but by other interested parties (stakeholders) as well, including above all, the state for the sake of providing continuous inflow of tax revenues and maintaining employment as a precondition for the quality of life and social security, and the creditors in the broadest sense of the word, in order to protect their claims. Additionally, external stakeholders have other possibilities to protect their interests in the company, if they have timely information and knowledge about potential business and financial problems of the company. These basically refer to the cautious entry into the commercial and financial transactions with such companies, requiring special instruments to protect against the risk of default, the termination of business with such a company and other activities, including the opening of and participation in the restructuring processes.

Business conditions in a true market environment are extremely dynamic in terms of changes in the environment and the constant pressure of competition, so even the best managed companies in a relatively stable overall business environment are not immune to disruptions reflected in the fluctuations in the level of production and sales, and threats to business liquidity and profitability. Crisis general economic conditions, such as during the current period of global economic and financial crisis and the consequent recession and ongoing uncertain duration and “unfolding” in connection with the current crisis, further actualize and emphasize business and financial risks and increase the likelihood of business and financial crisis of any individual company, individual branches and industries and the economy as a whole. Therefore, we need a permanent “vigilance” focused on continuous and comprehensive monitoring and assessment of one’s own performance, that is overall business and financial solvency in order to timely notice the first indications or symptoms of deterioration and take appropriate measures to prevent a serious crisis. In theory and practice, such measures are commonly referred to as rehabilitation, consolidation, or restructuring, although some authors point to the terminology and substantive differences between these terms.

Without going into the wider consideration of the business and financial crisis of the company or business and financial difficulties (see more in: Brigham & Gapenski, 1997; Malinić, 2013), and for the purposes of the discussion the crisis shall mostly refer to disruptions in operations that lead to weakening of the competitive position of companies, falling sales or placement and the weakening position in the target markets and that initially determine a drop in sales and/or market share and profitability decline, and which will create and accumulate losses (open and/or hidden) in failure to find out the causes and anticipate and prevent their negative effects and adverse trends, thus calling into question the survival of the company. Causes of business and financial crisis of companies can arise in any functional area of the company, or be externally determined (though even then the crisis is the result of the inability of the company to address the challenges and threats in the environment using its available or newly acquired resources). The process of the company business crisis and the possible outcomes can be represented in a synthesized manner by the following figure:

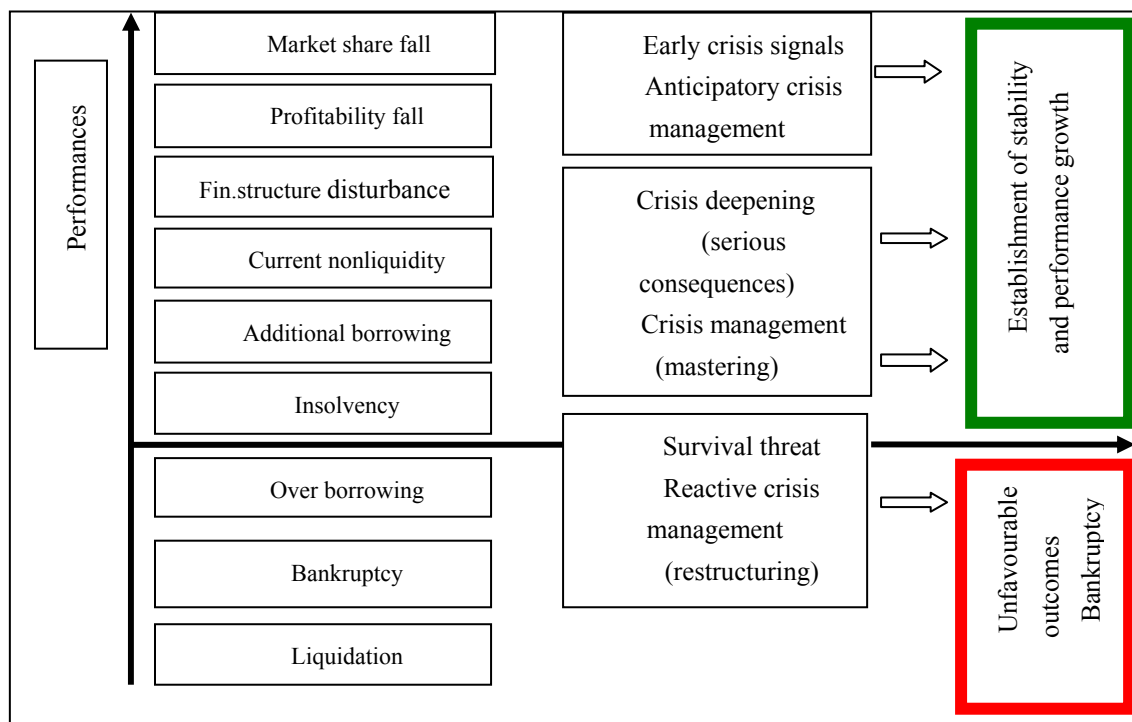


Figure 1. The process of development of the crisis, crisis management, and the possible outcomes. Source: Malinić, 2013, p. 98.

The company is therefore established in order to permanently operate and its administration or management tends to continuously meet that goal through its business strategy, policy, and practical business decisions and moves, not only in the interest of the owners, but also in their own interest, materialized in job security. If internal and external limiting factors are successfully “kept under control” in this effort, the business will be successful and there will be no need for rehabilitation or restructuring. The restructuring does not mean only the reactive action of the management board, on its own initiative or under pressure from other stakeholders, aimed at resolving the various models of business and financial crisis and preventing bankruptcy. Namely, the opinion which has long been present in theory and in practice, that the restructuring is not only rare and sporadic, special event in the business life of the company, what is best confirmed by the practice of US corporations that apply restructuring as a model to adapt the internal structure of the company to rapid and often radical changes in the environment (Todorović, 2010). This approach to restructuring as a complex and heterogeneous phenomenon comprising deliberately induced, intermittent and significant changes in one or more company structures (structure and amount of the engaged assets, and structure and amount of capital-own and borrowed) implies business (production and service, technical and technological, organizational, management, personnel and market) and financial (change and adjustment of the financial structure and capital structure) restructuring processes. Some of these restructuring strategies and/or their combination are focused on “fire-fighting” or short-term cash flows (reactive restructuring), depending on the conditions and needs of each specific company and the objectives of restructuring in order to rescue companies from insolvency and bankruptcy, but the survival, growth, and development of a company crucially require long-term restructuring strategies focused on long-term sustainable growth and performances of the company showing that the company creates the value for owners and other stakeholders (see more in Malinić, 2016).

Theory and practice of restructuring enabled the intensive processes of corporate restructuring in developed market economies over the past few decades, which has resulted in the disappearance of some, but also the development of other companies, depending on whether they recognized the need and conducted the business, financial, and organizational restructuring successfully or unsuccessfully and timely. In doing so, the key drivers of corporate restructuring were increasingly stronger global competition and the pressure of the corporate control market and the owners who have mechanisms to withdraw from companies that do not create value. Although the literature and published case studies present numerous examples and the positive effects of the restructuring carried out, there are also different appraisals. Critics, especially those of the “mania of mergers and acquisitions” as the dominant form of restructuring at the global level, indicate that the greatest share of the publicized gains from the restructuring was not realistic, but rather a result of redistribution of value from other stakeholders such as creditors, the state and the employees, stressing that restructuring sometimes leads to job losses, although the question is whether this would have occurred without restructuring (Todorović, 2010).

Relevant literature as an analytical framework for an assessment of the possibilities and effects of restructuring, especially the creation of value in the process of corporate restructuring, which should be the basis for the decision-making and the process managing simultaneously, recommended the so-called pentagon restructuring which shows that the current market value of the company is lower than the potential (optimal) value of the company for the current gap in the perception of the capital market and all unused opportunities of restructuring, and that the value can be created by closing this gap and by restructuring—both internally and externally focused business restructuring as well as through the financial restructuring (Todorović, 2010, p. 108).

### **Practice and Previous Company Restructuring Researches in the Republic of Srpska (Approach, Methods, and Results)**

Unlike countries with developed market economy, which have created a theoretical basis and where the process of restructuring of the company has a long tradition with a rich literature and numerous published papers on the examples and the effects of corporate restructuring, the situation in the countries in the region, including Bosnia and Herzegovina or its Entities which according to the Dayton constitutional system are responsible for the economic sphere, is quite different. Namely, due to the specific political and economic system in the former Yugoslavia, property character, the company target function, the socialization of losses and similar “phenomena”, the company restructuring is not essentially applicable as treated in the theory and practice of market economy.

The available literature and other sources confirm that the economic reforms conducted in the former Yugoslavia, including the concept of joint work, although motivated by better organization and results of the companies and the economy as a whole, were predominantly orientated by “political” rather than economic factors and logic. Therefore, further elaboration and presentation of numerous integration processes from that period, which resulted in the formation of the “large business systems”, such as Energoinvest, Jelšingrad, Šipad, RMK Zenica, Unis, UPI and others in SRBiH and similar systems in other Republics of the former Yugoslavia, could not be an example of the restructuring in terms of market economies restructuring, especially the ownership and financial restructuring as part of this integral process.

The transitional period of privatization and other “reforms” that began in Bosnia-Herzegovina in the postwar period, has unfortunately led to the collapse of the aforementioned large systems, and many other companies, so there are rare examples of continuity and successful operation of previous state companies after privatization, which suggests that the new owners and management did not recognize the need and importance of, nor implemented the restructuring as a precondition for the survival, growth, and development of the companies. Epilogue is unfortunately disastrous and a large number of such companies are liquidated through bankruptcy or is under bankruptcy process due to slow and inefficient procedures. In addition, there are few examples of newly established companies that have managed to survive and become respectable, and the data about their success, management, resources, and growth model and applied activities of “restructuring”, as a response to the challenges of the business environment, have not been investigated and published nor are available to the public. Therefore, it would be very important to elaborate such examples in cooperation with the owners and managements of such companies, business associations and chambers of commerce, and the academic community, as successful case studies from domestic practice, to publish and adequately promote them as a certain “reward” for achieved success and encouragement for the recognition and application of this practice in the “national” companies and economy.

For these reasons, or due to unavailability of other data, the researches presented in this paper are focused on the restructuring process with the implementation of bankruptcy in the Republic of Srpska through the process of debtor’s reorganization allowed by law. Secondary sources of information include past analyses of efficiency of bankruptcy proceedings in the Republic of Srpska focusing on restructuring. The original empirical research is based on a survey of bankruptcy trustees in the Republic of Srpska carried out in 2015, and direct inquiries to the competent institutions involved in this area regarding the bankruptcy plan, as a method of restructuring.

Bankruptcy Law of the Republic of Srpska (revised text of 2010) in Section 1 provides that it regulates: 1) the conditions for opening the bankruptcy proceeding, the bankruptcy proceeding itself, the legal consequences of its opening and execution; and 2) reorganization of the bankruptcy debtor incapable to pay on the basis of the bankruptcy plan. Furthermore, besides the group satisfaction of the bankruptcy debtor’s creditors by liquidation of its assets and the distribution of collected proceeds among the creditors, it states that the goal of the bankruptcy proceeding is implementation of the reorganization of the debtor under the provisions of Section V of the Law in order to govern the legal position of the bankruptcy debtor and its relationship to the creditors, and especially to maintain its business. The reorganization of the debtor as a way of settlement of creditors whose ultimate goal is the resolution of problems that led to bankruptcy, survival and sustainable continued operation of the bankruptcy debtor, shall be conducted pursuant to the bankruptcy plan. The bankruptcy plan shall stipulate the manner of reorganization execution and its substantial portion consists of steps for its implementation. These are the methods of status changes and methods of contract content, and essentially they refer to: continuation of work with existing equipment, organizational restructuring, sale of assets or the company as a whole or the allocation of assets to creditors, settlement with creditors and various modalities of financial rehabilitation (Božić, 2010). The bankruptcy plan is a roadmap to rehabilitation of the debtor and, together with financial and other relevant data it is a document tailored to the needs, the specific characteristics and circumstances of the bankruptcy debtor indicating the measures to be taken. According to Article 148 of the Law, the bankruptcy plan, in particular, may:

- leave to the bankruptcy debtor all or part of its assets for the purpose of continuing the business of the bankruptcy debtor,
- transfer a part or all of the assets of the bankruptcy debtor to one or more existing entities that will have to be established,
- merge debtor with another person, or join it to one or more persons,
- sell all or part of the assets of the bankruptcy debtor, with or without secured rights,
- distribute all or part of the assets of the bankruptcy debtor between creditors,
- convert debt into equity,
- determine the manner of settlement of bankruptcy creditors,
- satisfy or modify the secured rights,
- reduce or defer the payment obligations of the bankruptcy debtor,
- convert bankruptcy debtor's obligations into a loan,
- guarantee or provide other security for the fulfillment of the bankruptcy debtor's obligations,
- determine the bankruptcy debtor responsibility after the end of the bankruptcy proceedings,
- issue new shares and similar.

One of the relevant secondary sources for evaluating the efficiency of bankruptcy is the analysis of the business environment in BiH, conducted by the World Bank and the International Finance Corporation (IFC) each year, starting from 2004, which is based on an analysis of the business environment in countries around the world. Based on the analysis, IFC makes a ranking of countries and prepares a report on ease of doing business in the analyzed countries. A special aspect of IFC's analysis is resolving the insolvency of companies and according to the report for 2015 ending with June 2014, Bosnia and Herzegovina is on the 34th place out of 189 analyzed economies regarding ease of resolving insolvency of companies (Doing Business, 2015). The methodology used in the ranking takes into account the duration of the bankruptcy proceeding, expenses, the outcome, the rate of payment for creditors and Strength of Insolvency Framework Index. According to the report for 2015:

- bankruptcy proceeding in BiH last 3.3 years on average (bankruptcy proceeding takes the shortest in Ireland—0.4 year),
- the costs of the bankruptcy proceeding (measured by amount of court fees, public fees, the fee for the bankruptcy trustee, appraisers and attorneys, and all other fees and expenses) amounted to 9.0% of the assets of the bankruptcy debtor (the lowest costs are in Norway—1%),
- the most likely outcome of the bankruptcy proceeding in Bosnia and Herzegovina is the sale of assets of the bankruptcy debtor, part at a time,
- collection rate for creditors is 35.9 cents against one dollar of receivables (the largest is in Japan, 92.9 cents against the dollar),
- Strength of Insolvency Framework Index is 15.0 and Bosnia and Herzegovina shares the best ranking with four other countries.

One of the “domestic” secondary sources is the most complete analysis of the results and effects of bankruptcy proceeding in the Republic of Srpska compiled by the Supreme office for the Republic of Srpska public sector auditing (performance audit report, Bankruptcy proceeding in the Republic of Srpska 2011). The results presented in this report have shown that the largest share in the structure of an executed bankruptcy proceeding refers to the procedures completed due to the lacking and insufficient bankruptcy estate (55%);

every fourth bankruptcy proceeding was executed by sale of the debtor's property and the division of resources to creditors (25%); only every fiftieth bankruptcy proceeding was completed by the reorganization of the bankruptcy debtor (2% or only 10 companies), and 18% of proceedings was terminated. This structure of executed bankruptcy proceedings is resulting from the fact that it is mainly about companies whose assets had been completely devalued by the bankruptcy proceeding and companies organized as limited liability companies that have no assets. Furthermore, in the bankruptcy proceeding the creditors charge less than 1/5 of their claims, and the remaining 4/5 are not collected mainly due to the lacking bankruptcy estate, and to a lesser extent due to the lack of recognition by the bankruptcy trustee. The biggest group of creditors consists of creditors from the public sector (about 2/3 of total claims), while the claims of all other creditors (employees, banks, suppliers and others) account for 1/3 of the total registered claims.

### Results of Empirical Research (Analysis and Discussion)

The research (Mijović, 2016, pp. 121-122) shows that in the countries dominated by the reorganization as a result of bankruptcy proceeding the creditors better achieve settlement of their claims through the gradual settlement against the confirmed plan of reorganization rather than they might expect in conditions where the debtor's business is stopped and liquidated. Reorganization, as an attempt to prevent the liquidation of a company in financial difficulties is intended for the company to continue its work, to operate profitably and properly service its debts. The importance of the reorganization is particularly pronounced in terms of frequent and strong financial crisis and in transition countries. A significant additional advantage of reorganization with respect to the liquidation is reflected in the fact that the reorganization does not oppose the creditors against debtor, but allows them to reach a common goal, that is the recovery of the debtor's operations, after which the borrower will be able to settle the claims of creditors (Mijović, 2016, pp. 121-122).

According to the findings of the empirical research made by method of survey of bankruptcy trustees in the Republic of Srpska (Mijović, 2016), outputs of the bankruptcy proceedings are illustrated in the following graph:

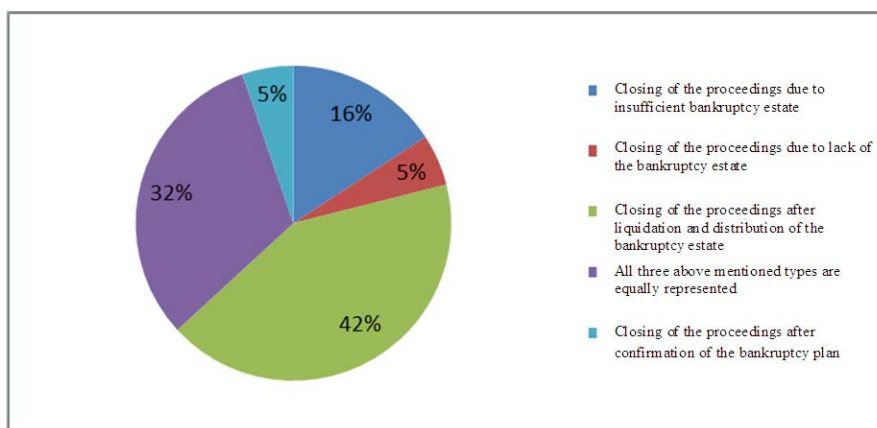


Figure 2. Outputs of the bankruptcy proceedings.

The synthesized findings of the above research regarding the reorganization of the bankruptcy debtors are the following (Mijović, 2016, pp. 151-152):

- 21% of bankruptcy trustees who responded to the questionnaire answered that they led bankruptcy proceeding in which a reorganization of the bankruptcy debtor was carried out,



- the majority of the reorganization was carried out in industrial companies and slightly less in agricultural companies,
- the bankruptcy plan has been proposed mainly by bankruptcy trustees,
- bankruptcy debtors generally do not enter into informal agreements with their suppliers before the bankruptcy proceeding, and even when they try to agree it fails,
- most of bankruptcy debtors have continued operating after the bankruptcy proceeding,
- the bankruptcy plan most often envisaged the measures of sale of the bankruptcy debtors' assets combined with converting debt to equity, and one debtor was left all his property in order to continue operations,
- the bankruptcy plan generally does not provide for bankruptcy creditors to be paid from revenues of the company that continues to be managed by the bankruptcy debtor or third party,
- the reorganized companies that continue to operate are mainly renamed,
- the bankruptcy trustees mainly cooperate with the committee of creditors in the preparation of the bankruptcy plan,
- the provisions of the bankruptcy plan do not normally change during the debate on the plan,
- the bankruptcy plan generally provides that certain actions of the bankruptcy debtor during the controls require the consent of the bankruptcy trustee—the consent is usually required on disposal of property,
- the bankruptcy debtors in all reorganizations consented to the bankruptcy plan,
- after confirmation of the plan and the closing of the bankruptcy there was no liquidation and distribution of the bankruptcy estate,
- the bankruptcy plan generally provides for supervision of the plan execution,
- the bankruptcy trustees generally responded that during guardianship they did not find that the claims whose fulfillment was supervised could not be fulfilled and that the bankruptcy plan is fully implemented or will be implemented,
- the mere existence and confirmation of the plan is not always a guarantee of success of the reorganization process (one bankruptcy trustee answered that during the surveillance he found that the claims whose fulfillment was supervised failed to be fulfilled and that the bankruptcy plan is not fully implemented or will not be implemented).

When asked which factors would influence the massive reorganization in bankruptcy proceeding, the bankruptcy trustees responded that the timely initiation of bankruptcy proceeding (strict application of Article 4 of the Law) is the most important factor, and listed the following factors:

- the publication of successful reorganizations,
- employing the bankruptcy trustee as an award for leading towards bankruptcy reorganization,
- creating a favorable climate for investment, because without a strategic partner there is no good reorganization,
- the appointment of bankruptcy trustees with experience and knowledge in the field of the debtor's business,
- the appointment of competent bankruptcy trustees who would be independent and responsible working under the relevant laws (according to the bankruptcy trustee who declared this opinion, at least 50% of companies would be rescued from bankruptcy in this way),
- faster resolution of court proceedings in relation to the bankruptcy estate,
- solving the issue of the property loaded by mortgage,

- the amendments to the Law regarding the possibility to vote on the bankruptcy plan in preliminary procedure.

Besides above recommendations, a part of bankruptcy trustees also provided their critical comments and assessments:

- in the Republic of Srpska the sale in accordance with Article 107 of the Bankruptcy Proceeding Law showed better and more efficient than any reorganization,
- the reorganization rarely produces positive results and after a certain time it is inevitable to undergo bankruptcy proceeding in so reorganized companies.

According to data from the Association of Bankruptcy Trustees of BiH, in the last 14 years in the Republic of Srpska there have been initiated around 1,050 bankruptcy proceedings, most of which were completed in liquidation, and only every fiftieth by reorganization of companies (Business News, March 6, 2015). The situation is similar in neighboring countries. In Serbia, since the beginning of implementation of the Bankruptcy Law until April 2012 there were 232 proceedings registered in which the bankruptcy plan was prepared, which makes up about 10% compared to the number of open bankruptcy proceedings, whereas the decision on approval of the bankruptcy plan was adopted in 119 procedures (Radulović, 2014). In Croatia, in the period from 2000 to 2006, less than 10 reorganizations were carried out, of which only one in the largest commercial court in Zagreb (which opens up to 75% of all bankruptcies in Croatia) (Sajter, 2008). In other countries, the number of bankruptcy reorganizations measured by the rate of reorganization and acceptance rate is significantly greater, as shown in Table 1.

Table 1

*Reorganization Frequency Indicators of Bankruptcy in Four World Countries*

Indicator	USA	G. Britain	France	Germany
Reorganization rate	28%	14%	20%	0.2%
Acceptance rate	41%	15%	13%	64%

Source: Couwenberg O., Survival Rates in Bankruptcy Systems: Overlooking the Evidence, European Journal of Law and Economics, Springer, vol. 12 (3), 2001, p. 262; cited by: Sajter D. Economic Aspects of Bankruptcy and Restructuring in Bankruptcy, doctoral dissertation, Faculty of Economics in Osijek, 2008, [www.bib.irb.hr/datoteka/377526.Sajter\\_Disertacija.pdf](http://www.bib.irb.hr/datoteka/377526.Sajter_Disertacija.pdf), Retrieved on September 5, 2016.

Based upon the publication in the Official Gazette of the Republic of Srpska it was established that the bankruptcy proceedings were terminated after the confirmation of the bankruptcy plan in a total of 22 companies. The bankruptcy plans were confirmed for four companies, but bankruptcy proceedings have not been executed. In one company the bankruptcy plan was confirmed, but the decision confirming the bankruptcy plan was abolished due to a creditor's appeal. Hearing for discussion and voting on the bankruptcy plan was held in five companies, but the bankruptcy plan has not been confirmed. New bankruptcy proceedings were opened in two companies after the closing of the bankruptcy proceeding (Mijović, 2016, pp. 157-158).

Measures applied in the implementation of the reorganization are varied, but the following measures are most commonly applied (Mijović, 2016, p. 158):

- merger with another company—in the case of two companies,
- conversion of debt to equity—in the case of five companies,
- sale of the bankruptcy debtor to a strategic partners—six successful reorganizations,
- write-off of part of the claims and conversion of part of the claims into credit—in one company.

### Conclusion

The secondary sources of information on results and effects of the bankruptcy proceeding in the Republic of Srpska mentioned in this paper, indicate that more than half of the proceedings were executed because of the lacking and insufficient bankruptcy estate, that the dominant bankruptcy outcome in the Republic of Srpska and in BiH as a whole is the sale of the bankruptcy debtor's assets based on the "part at a time" model and that the creditors charge less than 1/5 of their claims. This proves that the property of the companies that have entered bankruptcy proceeding was almost completely destroyed and devalued. According to the Supreme office for the Republic of Srpska public sector auditing only every 50th bankruptcy proceeding was completed by the reorganization of the bankruptcy debtor (2% or only 10 companies). The results of the survey of bankruptcy trustees indicate that only 5% of bankruptcy proceedings that they conducted were executed by the reorganization or acceptance of the bankruptcy plan. Examination of the data published in the Official Gazette of the Republic of Srpska has found the following: (1) 22 companies were reorganized by acceptance of the bankruptcy plan; (2) in five companies the bankruptcy plan was not confirmed; (3) in one company the decision on confirmation of the bankruptcy plan was abolished because of the appeal of creditors; (4) a new bankruptcy proceeding was relaunched in two companies, after the closing of the bankruptcy proceeding by accepting the bankruptcy plan.

The situation is similar in neighboring countries. In Serbia, since the beginning of implementation of the Bankruptcy Law until April 2012 there were 232 proceedings registered with prepared reorganization plan, which accounts for about 10% compared to the number of open bankruptcy proceedings, whereas the decision on approval of the bankruptcy plan was adopted in 119 procedures (Radulović, 2014). In Croatia, in the period from 2000 to 2006, less than 10 reorganizations were implemented, of which only one in the largest commercial court in Zagreb (which opens up to 75% of all bankruptcies in Croatia) (Sajter, 2008). In other countries the number of bankruptcy reorganizations measured by the reorganization rate and the rate of acceptance, respectively, is as follows: USA 28% and 41%; Great Britain 14% and 15%; France 20% and 13%; and Germany 0.2% and 64% (quoted according to Sajter, 2008).

The findings of the conducted empirical research indicate a relatively modest result in reorganization of bankruptcy debtors in the Republic of Srpska, which was in line with our expectations in view of the overall business environment and the large number of launched bankruptcy proceedings, so the key message of this paper research that one of the most limiting factors for increased efficiency of bankruptcy proceedings, especially those that focus on the reorganization of the bankruptcy debtor, is the untimely filing of bankruptcy proceeding. The result of hesitation and/or other reasons for this is drastic impairment of both the property and the market prospects, which minimizes the chance for reorganization, continued operation and restoration of the company that had already been in deep financial and business crisis into a profitable, sustainable, and value-generating business for owners and other stakeholders.

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