

Role of Multinational Companies in the Process of Privatization of Companies In Serbia

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Abstract: So far in the privatization of our business entities participated in many well-known multinational companies. They have invested significant resources in their economic training. Today, this successful affiliates and holders of our economic development - NIS, Fiat Automobiles Serbia, Tigar, Phillip Morris, Air Serbia, Telenor, Hemofarm and so on. Precisely, the privatization of the company was the main motive for multinational companies in our country. With the arrival of multinational companies significantly change the basic performance of the Serbian economy. Investment, introduced modern techniques and technologies in manufacturing, increased technical equipment of labor, expands the range and improves product quality, enhances the knowledge and skills of the work, introducing new models and methods of work and business.

Keywords: multinational companies; privatization; effects

JEL Classification: G22

1. Introduction

With the arrival of multinational companies on the Serbian market improves competitiveness and positioning in the market, especially efficiency, rationality and profitability of the business. Restructuring companies is not a process that once completed, it is for the whole process of the national economy. (Živković, Ilić & Bevanda, 2014)

The paper deals with the privatization of social and state capital in the current period in the Republic of Serbia, and the contribution of multinational companies that process. The aim is to see the effects of privatization in Serbia, and the contribution of multinational companies such effects. In this sense, the actual effects are observed from several aspects, namely:

- Through foreign direct investment. Investments may be in the purchase and subsequent investment companies. This solves one of the main problems of our economy and the lack of financial resources for further development;
- Employment. Transition countries, and thus Serbia, is faced with high unemployment. With the arrival of multinationals in this state obligation can significantly improve. However, many companies that have entered the privatization process had excess staff. In the first phase the release of surplus employees to be

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later, with the stabilization of business, access to new employment. Best effects in terms of employment, that is employment in companies that have business relations with branches of parent companies;

- Export. Multinational companies through the privatization process is present in our market, mainly export-oriented. This is especially important for our trade and balance of payments.

Many affiliates are now our biggest exporters:

- Other. Multinational of company with their presence improves performance of enterprises, the introduction of modern technology, new labor and business organizations, to promote knowledge and education of employees. Then, the development uncooperative relationships with many businesses, participation in the realization of many local projects and others. (Ristić, Rajković, Mančić & Rajić, 2011)

Research conducted in the work, starting from the basic hypothesis which states: "The greater presence of multinationals in the privatization, the quicker its economic growth and development".

It has already been pointed out that multinational companies in order to achieve greater profits using modern techniques and technology in business. So far they have invested considerable resources in increasing the technical equipment of the privatization of companies - NIS 2.5 billion, Fiat Automobiles Serbia over a billion euros, VIP one billion euros, 0.7 billion euros Hemofarm, DELHAIZE record 0.8 billion euros, Telenor close to two billion euros, Phillip Morris 0.8 billion. This allowed a greater volume of business and better positioning in the market, higher quality outputs. Greater presence of multinationals provides contemporary techniques and technology in business, greater efficiency in business and better results on the market.

2. Actual Economic Effects of Companies in the Period 2011-2014

In the Republic of Serbia has been operating a larger number of well-known MNCs. Over time, their number is constantly increasing. Tome greatly contributes to the continuous improvement of business environment. In some sectors and areas have become the bearers of economic development. The paper examines the fifteen companies which were affirmed by our business performance in our country. In order to comprehend the effects of operating companies mentioned below is a comparative analysis of their business in 2011 and 2014. In this sense, the key figures of the business given the company in 2011.

Based on the available data it can be seen that among the surveyed companies in 2011 NIS employed the greatest number of workers, even 9650, while the lowest number of workers employed in the company HOLCIM, they 333. The total number of workers employed in selected companies was 35506, which makes 3.51% of the total number of employees in the Republic of Serbia. Data on the amount of capital suggest that the largest amount of capital the company owns in the amount of NIS 87586665000 pounds, and that among these companies were those that recorded losses in excess of capital, and therefore had a negative equity value (IDEA - 2697613 dinars, Air SERBIA -3509711000 dinars and LUKOIL - 3509711000 dinars). The total capital value of the observed companies (where not included in the

summation of the companies that have negative equity) amounted to 272 155 529 000 dinars, accounting for 0.01% of the capital of all companies in the Republic of Serbia.¹

When considering the value of the asset can be concluded that the maximum value of the property there are companies in the amount of NIS 232702669000 dinars, while the lowest value of the property has the company Holcim in the amount of 9680095000 pounds. Observed companies have a total asset value of 744679706000 dinars, which is 0.01% of the total value of assets of all companies in the Republic of Serbia. One of the most important indicators of quality of business operations and the amount of annual income. NIS also the forefront in this area compared to other companies, earning revenue of 192428231000 dinars. The lowest annual income in 2011 was recorded by the company HOLCIM and he was 6,543,138,000 dinars. The total annual income of these companies achieved in 2011 amounts to 582 392 626 000 dinars, which makes 0.01% of the annual revenues that are generated by all companies in the Republic of Serbia.

Because the height of the annual revenue is not a good enough indicator of doing business, it is necessary to consider the amount of net profit made by the company observed. The largest net gain recorded by the Company in the amount of NIS 40601667000 dinars, while a large number of companies recorded a net loss observed years (as many as six). The largest net loss was the company FIAT in the amount of RSD - 5683984000. Total net gain (whereby the sum omitted from company that operated at a loss) is 61,102,972,000 pounds, and that is 0.01% of the net profit of all companies in the Republic of Serbia. The presented data suggest that these companies vary greatly in scope of business activities, capital assets and number of employees, it is for comparative analysis of business operations necessary to date given the company valuable indicators of awareness on the fact per worker, which would create the conditions for an objective comparative analysis.

The data suggest that when such a review the indicators, NIS is not the most successful according to all indicators observed among companies as in the previous case. That is the largest amount of capital per worker recorded the company "Philip Morris" in the amount of 22612070 pounds, the highest value of assets per employee VIP MOBILE Company, the largest annual income of companies 36496330 pounds, while the highest net profit per worker in 2011 was the company TARKETT 6,875,570 dinars. For the purpose of comparative analysis of these companies in 2011, the following table shows the ranking of companies surveyed for all aspects of business observed individually and, finally, a summary (based on the sum of individual rankings).

¹ APR - Finansijski izveštaji, Holcim, 2011/2014; APR - Finansijski izveštaji, Vip Mobile, 2011/2014; APR - Finansijski izveštaji, Tarkett, 2011/2014; APR - Finansijski izveštaji, Philip Morris, 2011/2014; APR - Finansijski izveštaji, Hemofarm, 2011/2014; APR - Finansijski izveštaji, Lukoil, 2011/2014M; APR - Finansijski izveštaji, Air Serbia, 2011/2014; APR - Finansijski izveštaji, Tigar, 2011/2014; APR - Finansijski izveštaji, Coca-Cola, 2011/2014; APR - Finansijski izveštaji, Telenor, 2011/2014; APR - Finansijski izveštaji, Idea, 2011/2014; APR - Finansijski izveštaji, Mercator-S, 2011/2014; APR - Finansijski izveštaji, Delhaize, 2011/2014; APR - Finansijski izveštaji, Fiat, 2011/2014; APR - Finansijski izveštaji, NIS, 2011/2014.

2. Ranking of Selected Multinationals to all Observed Indicators of 2011

Table 1. Ranking of selected multinationals to all observed indicators of 2011

Company name	Rank by:					The sum of ranks	Receiving ranking
	No of employees	amount of capital	values of property	annual income	net gain		
NIS a.d. Novi Sad	1	7	7	5	3	23	1
FIAT AUTOMOBILI SRBIJA DOO Kragujevac	8	2	2	14	15	41	5
DELHAIZE SERBIA DOO Beograd	2	9	13	11	9	44	8
MERCATOR-S DOO Novi Sad	4	11	12	8	8	43	7
IDEA DOO Beograd	3	13	15	12	10	53	11
TELENOR DOO Beograd	9	5	3	2	4	23	1
COCA-COLA HBC - SRBIJA DOO Zemun	10	6	11	4	5	36	4
TIGAR TYRES DOO	5	12	14	10	7	48	10
Air SERBIA a.d. Beograd	7	14	10	13	12	56	12
LUKOIL SRBIJA a.d. Beograd	13	15	4	1	11	44	8
HEMOFARM a.d. Vršac	6	8	9	9	14	46	9
Philip Morris Operations a.d. Niš	14	1	5	3	6	29	2
TARKETT DOO Bačka Palanka	12	4	8	6	1	31	3
VIP MOBILE DOO Beograd	11	10	1	7	13	42	6
HOLCIM (SRBIJA) DOO Popovac	15	3	6	15	2	41	5

Source: Author's calculations based on data from the Commercial Register

From the presented indicators it can be concluded that the best ranked company NIS and TELENOR, with a total sum of 23 first rank position thanks to NIS took first place in the number of employees and the third from the achieved net profit per employee, while TELENOR was better ranked against other indicators (according to the amount of capital per worker is the fifth, according to the value of assets per worker a third, according to the annual revenue per worker is another). Then follows Philip Morris, TARKETT, COCA-COLA, FIAT and HOLCIM who share fifth place, VIP MOBILE, MERCATOR-S, LUKOIL and DELHAIZE who share eighth position, HEMOFARM, TIGAR TYRES, IDEA and, finally, the worst ranked by Air SERBIA.

In order to determine whether there has been a change in the quality of the economies of these companies need to look at the same indicators for 2014.

The data presented indicate that there has been a significant change in the given performance indicators monitored companies in 2014 compared to 2011. Unlike 2011, the largest number of workers this year, the company employed DELHAIZE, 7423 of them, while at least had employees of companies LUKOIL,

only 163. This indicates that these multinationals exerted significant rationalization measures taken over the number of employees in companies.

The first-ranked company in 2011, NIS, has reduced the number of employees 2.24 times. The largest decrease in the number of employees was carried out by LUKOIL, where the number of employees was reduced by as much as 4.08 times. On the other hand, the largest increase in employment was recorded in the company FIAT, where the number of employees increased by as much as 2.94 times. The total number of employees of all companies surveyed, however, recorded a decline compared to 2011 and amounted to 5.71% 33589, and the share in the total number of employees in the Republic of Serbia was reduced to 3.44%.

When we look at changes in capital, it can be concluded that there have been significant changes. The largest capital increase was recorded in the NIS, even 2.22 times. The company also has the largest amount of capitals even 194586302000 dinars. The number of companies that have negative equity value has not changed (this year there are three). Two companies, LUKOIL and Air Serbia, who have already had losses above the capital have increased their negative equity value, LUKOIL by 1.7 times, and Air Serbia even 6.66 times. IDEA, which in 2011 had losses above the capital, has significantly increased its capital 5,528,561,000 dinars, which enabled the company to record a positive equity value of 2,830,948,000 dinars. In contrast to this company, VIP Mobile in 2011-2014. The cumulative losses in excess of capital, and in 2014 had a negative equity value of 53,054,208,000 dinars, although in 2011 had a positive equity value. The total capital value of the observed companies has increased by 18.6% and amounted to 317 715 361 000 dinars, while the share in the capital of these companies in the total capital of all companies in the Republic of Serbia remained the same 0.01%.

During the reporting period there has been significant changes in the value of assets. As of 2011, the highest value of assets recorded in 2014, the company NIS, where the company has further increased the value of property by 60%, while the value of assets reached the amount of 372 211 071 000 dinars. The biggest increase in the value of assets recorded by the company Tigar Tyres, which has doubled the value of its assets due to additional investment. On the other hand, companies with the lowest value of the property is Lukoil, which is in the reporting period decreased value of assets by as much as 4.14 times in 2014 and it amounts to RSD 5,984,567,000. The total value of assets of all selected companies increased by 19.32% compared to 2014 and amounted to 888 520 124 000 dinars, while the share value of the assets of these enterprises in the value of total assets of all companies in the Republic of Serbia remained the same 0.01%.

Annual revenues of companies surveyed have changed, both individually and collectively at the level of companies. The highest annual income in 2014 was recorded by the company NIS, which increased its revenues by 28.68%, so they date, amount 247 620 582 000 dinars. The largest increase was recorded by the company Fiat, whose annual income increased by 20.44 times and iznose156064162000 dinars. As of 2011, the lowest annual income is recorded Holcim in the amount of 4,919,825,000 dinars, where he fell in relation to 2011 for 24.81%. The total income of all surveyed companies collectively increased by 47.12% and amounted to 856 843 873 000 dinars, and their share in total annual revenues of all companies in the Republic of Serbia has also remained unchanged at a level of 0.01%.

Net income/loss as the final result will take over the business, indicates that the quality of business operations in these companies has changed significantly in 2014 compared to 2011. What is first evident

from the data presented is the fact that in 2014 half the companies that are operating at a loss compared to the year 2011 (three compared to six in 2011). The highest net profit was recorded, and in 2011, achieved NIS. At the same time, the net profit in 2014 decreased compared to the year 2011 to 24.73% and amounted to 30,559,237,000 dinars. Fiat company, and Air DELHAIZE SERBIA, which in 2011 operated at a loss in 2014 recorded a net gain, while the remaining three companies IDEA, LUKOIL and VIP MOBILE and 2014 operated with losses. It should be noted that the IDEA has increased the net loss by as much as 13.68 times, as on 2014 is 13,522,721,000 pounds and is also making this company placed on the front end only observed among the companies of a given indicator. The total net profit of all companies surveyed in the reporting period increased by 18.51% and amounted to 45,399,132,000 dinars a share of the total net profit of all companies in Serbia has increased to 0.02%.

In order to create a more objective basis for a comparative analysis, it is used to display valuable indicators per unit of work.

On the basis of the data presented it can be concluded that in 2014 there have been significant changes in the balance sheets and income statement of the observed companies. According to the amount of capital per unit of labor is the best positioned company NIS, which even has 45284220 pounds of capital per unit of labor, while in 2011 it was the company Philip Morris, which is now third on this indicator. NIS is also the company with the largest amount of assets per employee, with assets of 86621150 pounds per worker. VIP Mobile Company, which in 2011 was ranked first by this indicator, is now only the fourth. LUKOIL, in turn, kept the first position by the amount of income per worker, where this indicator increased by almost 2.66 times compared to 2011 and amounted to 176 776 150 per worker. How is this indicator in modern conditions is often used as an indicator of productivity, it can be concluded that the productivity of the company at a high level and increased by 2014 compared to 2011. However, we should bear in mind the fact that the company realized an increase in productivity by significantly reducing the number of employees (number of employees has been reduced by four times), while the annual income reduced by 35% compared to 2011. Finally, if the data is analyzed on the net profit per employee, it can be concluded that the maximum net profit per unit of work has the company Telenor in the amount of 11379990 pounds per employee, while the company TARKETT, which in 2011 was ranked first now dropped to second position.

3. Ranking of Selected Multinationals to all Observed Indicators 2014

Based on available data from the Agency on the commercial registers were ranked the company in 2014, which is shown in the following table.

Table 2. Ranking of selected multinationals to all observed indicators 2014

Company name	Rank by:					The sum of ranks	Receiving ranking
	Number of employees			annual income	net gain		
NIS a.d. Novi Sad	3	1	1	3	3	11	1
FIAT AUTOMOBILI SRBIJA DOO Kragujevac	4	9	6	4	9	32	4
DELHAIZE SERBIA DOO Beograd	1	10	14	15	10	50	10
MERCATOR-S DOO Novi Sad	2	11	12	13	12	50	10
IDEA DOO Beograd	5	12	15	11	13	56	12
TELENOR DOO Beograd	10	2	3	5	1	21	2
COCA-COLA HBC - SRBIJA DOO Zemun	11	6	9	6	6	38	6
TIGAR TYRES DOO	6	8	11	14	7	46	9
Air SERBIA a.d. Beograd	8	13	13	7	11	52	11
LUKOIL SRBIJA a.d. Beograd	15	14	5	1	15	50	10
HEMOFARM a.d. Vršac	7	7	10	12	8	44	8
Philip Morris Operations a.d. Niš	13	3	2	2	4	24	3
TARKETT DOO Bačka Palanka	12	5	8	10	2	37	5
VIP MOBILE DOO Beograd	9	15	4	8	14	50	10
HOLCIM (SRBIJA) DOO Popovac	14	4	7	9	5	39	7

Source: Author's calculations based on data from the Commercial Register

On the basis of the data presented it can be concluded that in 2014 the highest-ranked company NIS, with the total sum of ranks of 11, which is twice less than in 2011, when he first shared with Telenor, in which both companies had a summation of ranks 23. The first position thanks to NIS took first place in terms of capital and assets per employee and third in the number of employees, annual revenue per employee, and realized net profit per employee. Then followed Telenor, Philip Morris, Fiat, Tarkett, COCA-COLA, Holcim, Hemofarm, TIGAR TYRES, four companies that share position 10 - Delhaize, Mercator-S, LUKOIL and VIP MOBILE, Air SERBIA and, finally, the lowest ranked Company IDEA.

3.1. Comparative Analysis Ranked Company of the Year 2011/2014

To better detect changes that occurred during the period, the graphic below will be shown information on the range of companies surveyed in 2011 and 2014, according to monitored areas and collectively. In this regard, Figure 1 shows the comparative analysis of the observed ranking of companies based on the number of employees.

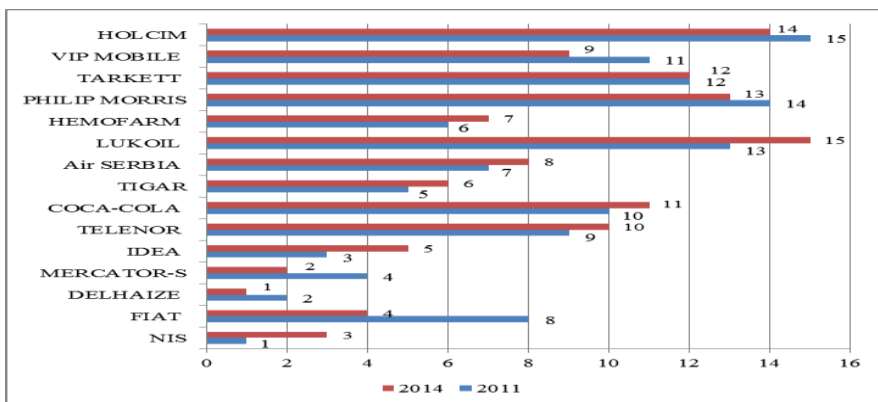


Figure 1. Ranking analyzed multinational companies by number of employees in 2011 and 2014

Source: Author's calculations

From the presented indicators it can be concluded that the greatest increase in the number of employees conducted company Fiat, which on this indicator was on the eighth position in 2011, while in 2014 occupies the fourth position. On the other hand, the greatest deterioration in rank in 2014 compared to 2011, and therefore the greatest decrease in the number of workers was recorded by the company LUKOIL (who passed the 15th position to the 13th position) and the MERCATOR-S (which is 4 . moved to the 2nd position).

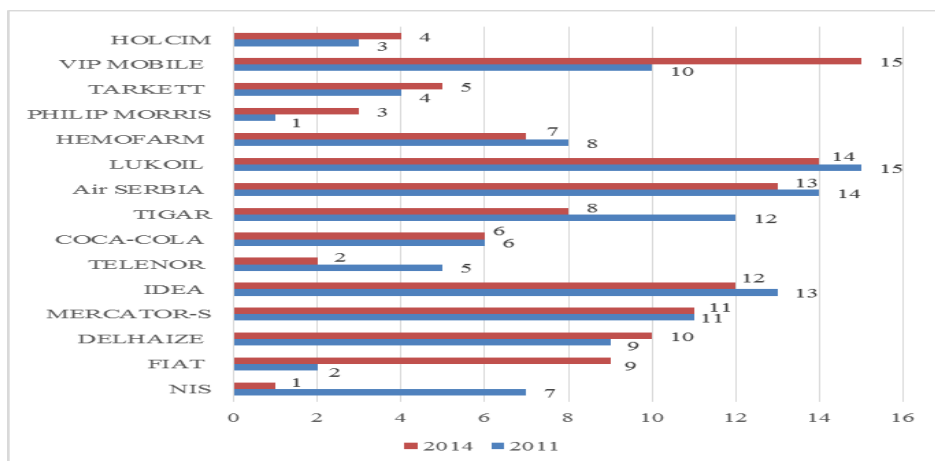


Figure 2. Ranking analyzed multinational companies according to the amount of capital per worker in 2011 and 2014

Source: Author's calculations

The analysis presented indicators can come to the conclusion that the biggest improvement position in this field has made the company NIS, moving from seventh to even the first position in 2014. In contrast to the NIS, the company Fiat is the most deteriorated its position in this area, bearing in mind that fell from second to ninth position in 2014. This position is the result of deterioration in the triple reduction in the value of capital per worker in 2014 compared to 2011. In order to review the changes observed in the position of the company to the value of assets per worker, the following figure shows the ranking of the given indicators on this indicator.

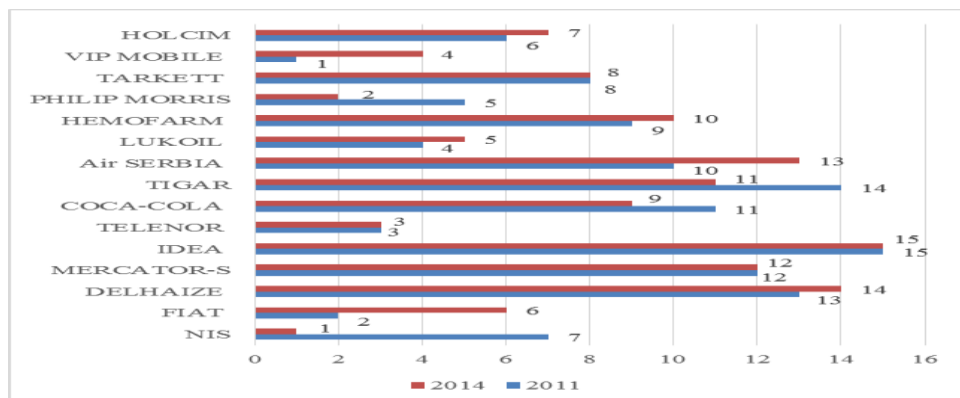


Figure 3. Ranking analyzed multinational companies according to the amount of capital per worker in 2011 and 2014

Source: Author's calculations

The presented data show that the situation is almost identical to the previous charts when looking at data on the amount of assets per employee. The most significant improvement in this area has made the company NIS, which, as in the previous case with the seventh position in 2011 moved to the first position in 2014. This improvement was achieved by a parallel increase in the value of the assets of the company by 60% and reducing the number of workers by as much as 2.25 times. The greatest worsening position in this field has made the company Fiat, which is on the other, dropped to sixth place only in 2014.

On the graph below shows data on the observed ranks companies by value of revenue per employee.

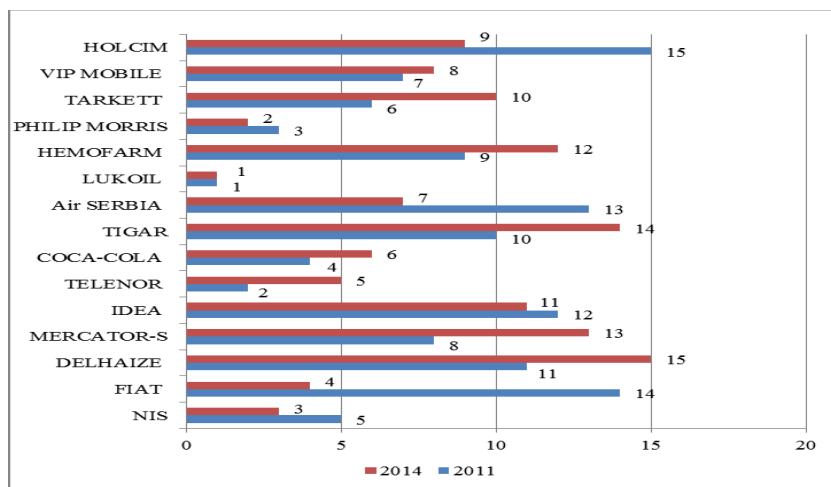


Figure 4. Ranking multinational companies analyzed by the amount of annual income per worker in 2011 and 2014

Source: Author's calculations

From the presented indicators can be seen that the greatest improvement in this area has made the company Fiat, which is the amount of income per worker moved from 14th to 4th position even in 2014. Revenues of the company increased by as much as 20.44 times, while significantly increasing the number of employees has not affected the deterioration of the position of the company. On the other hand, the

deterioration of the largest positions in this field has made the company Mercator-S, which has passed the 8th to 13th 2014. Another indicator of the business economy, which was used in the analysis of the data on the net profit per employee. Ranking companies by this indicator is shown in Figure 5.

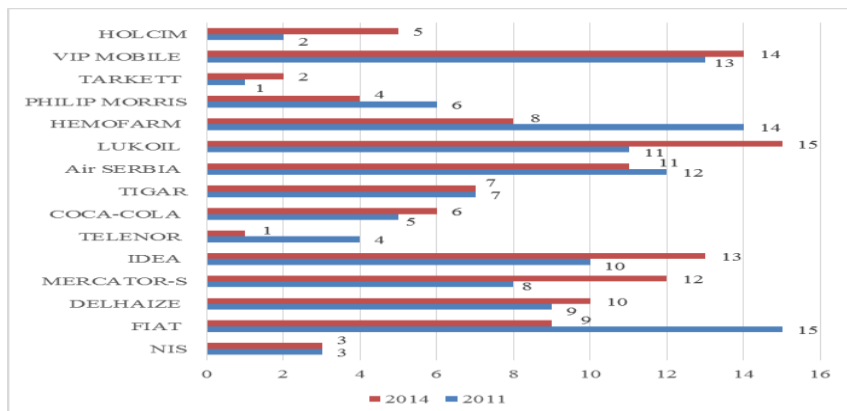


Figure 5. Ranking multinational companies analyzed by the amount of net income per worker in 2011 and 2014

Source: Author's calculations

Based on the data presented in Figure can be concluded that the most significant improvement in this area realized HEMOFARM company (which has moved from the 14th to the 8th position) and Fiat (who passed the 15th position to the 9th position). On the other hand, recorded the largest deterioration in the position of the company Mercator-S, which is the 8th position in 2011 dropped to 12th position in 2014. In the end, it is necessary to consider the summary of the observed change in rank companies by all analyzed indicators.

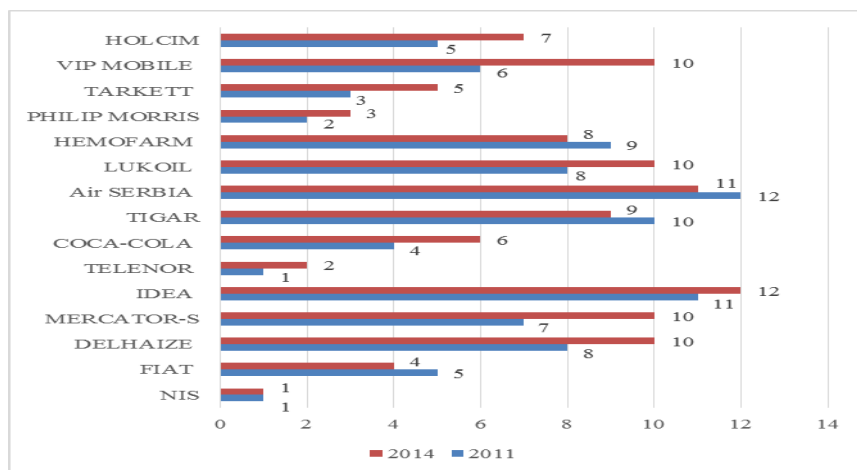


Figure 6. Summary ranking of multinational companies analyzed according to all indicators analyzed 2011 and 2014

Source: Author's calculations

The present data indicate that, collectively speaking, many companies worsened their position in relation to the year 2011. Companies that have recorded improved business performance - HEMOFARM, Air

SERBIA, TIGAR, and FIAT, have changed their position for only one position. On the other hand, recorded the most pronounced deterioration in the position of the company VIP MOBILE, who moved from 6th to 10th position in 2014.

4. Conclusion

Conducted analysis shows that the companies that were privatized achieve better business results than before privatization. Observed companies are on the top of the rankings of our economy after the realized profit. (NIS, Telenor, Tiger, Hemofarm) The Republic of Serbia through the privatization process managed to attract a large number of multinational companies. As a result, many companies, which were in an unfavorable economic situation, the business and economic stabilized. Today, they are recognizable enterprises in our country with a promising development. This creates a healthy and stable basis of our economy for long-term sustainable development.

So far, many well-known multinational companies have species grew in the Serbian market, investing significant funds, largely through the privatization process. In the period from 2001-2014, we invested 18 billion euros in net foreign direct investment. The problem is that the majority of these investments are in the service sector and less in the production of trad able goods. In addition, their contribution is visible through the growth of GDP, employment, exports, reducing the budget deficit, etc.

Precisely, the presence of multinational companies and the effects that they contribute to achieving positive trends in the Serbian economy. This is reflected through the growth of GDP, employment, exports, reducing the budget deficit, due to higher inflows into the budget, is expected to reduce public debt.

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