DEVELOPMENT STRATEGY IN THE SURROUNDINGS AND ENVIRONMENT OF COMPANIES IN SERBIA

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Abstract

Contemporary economic flows are becoming more dynamic and forward directed coordination of economic policies of countries. In contrast to Europe, where industrial development is of the utmost strategic importance linking it with technological developments, the today's Serbia only reveals the role and importance of the industry in the development of a modern society. The paper analysed the period of de-industrialization of Serbia, which has caused a general decline in economic activity, high unemployment and difficult problem of sales of manufactured goods, due to the very low level of purchasing power of domestic companies, local governments, state and especially the population. The aim of this paper is to show that macroeconomic indicators show the chances for improving the performance of enterprises in Serbia. Within the case studies of presented business enterprises in services as well as the majority of companies in Serbia are characterized by vulnerability and erosion of potential growth.

Keywords: *knowledge, innovation, industry, technology development.*

Introduction

The changes encountered by businesses at the beginning of this century result from the influence of globalization, causing the increase in both the exchange and availability of new products and services as well as a growth in competitiveness, investment mobility and circulation of people. The influence of modern communication technologies provide a quick access to new ways of communicating (at a low cost) which lead to opening new markets for

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consumers byconnecting national economies into a united whole and bringing about changes in the relationship producer-consumer. It is in this sense that the world economy is usually referred to today, that is the economy of transnational companies which control over 50% of the world production, 2/3 of the world trade as well as ¾ of international technology transfer with the rising tendency. Contemporary economic flows are becoming increasingly dynamic and they are directed in advance through the coordination of economic policies of countries within regional integrations. The complexity of the environment also affects the concept of business management since a market-orientedbusiness is dependent on the environment and aconsiderable amount of changes within its internal configurationtakes place together with the change of the ways in which it is connected with the environment. In the 25-year-long deindustrialization period Serbia created an environment characterized by: general downfall in economic activity, high unemployment rate, unfavourable demographic trends as well as a knotty problem of produced goods sales due to a rather low level of purchasing power of domesticcompanies, local government, state and particularly common population. All the stated problems generated negative expectations and a low level of trust in the system in which a general lack of opportunity prevails. At the same time, the largest obstacle for conducting a business in Serbia is the level of development of institutions, this being a precondition for a stable economic growth. According to the book by D. Acemogluand J. Robinson, *Why Nations Fail*: *The Origins of Power, Prosperity and Poverty*, the fundamental reason forfailing of nations are the very institutions – political and economic. The primacy is given to good economic institutions as the basis of economic growth and development. However, economic institutions are modelled by political institutions. Authors emphasize that bad institutions hamper economic growth, limit competition, favour the elite by preventing other economic subjects to enter the market through various barriers and in this way allow appropriation of dividends by the elite. For the given reasons, most companies in Serbia are in the advanced stages of strategic and operational crisis. Strategic crisis is characterized by endangered growth potential as well as its erosion whereas indications of operational crisis are high expenses, lack of input and endangered liquidity.

Development policy

The beginnings of modern development theory are characterized by reducing economic development to growth in the sense of rapid and continuous increase in real income per head. The increase in real income (product) per head is followed by other economic, technological, demographic, political and cultural changes in the society. It was believed that there

was no difference between the increase in domestic product per head and the overall increase in individual and collective well-being.Accordingly, in 1969 Dudley Seers defines the development through economic growth, which involveslife conditions expressed through the reduction in population income inequality.The concept of development through GDP growth doesn't allow for the even spread of the results of growth, hence the wealthier social groups will appropriate the increased social product as they have privileged access leading to even greater inequality in income distribution.When production structure is set on unequal income distribution, it becomes extremely difficult both economically and politically to direct it later on to greater equality. (Ocić, 2014)At the same time, the assumption is that GDP growth will automatically affect the lower income strata as well, and then economic policy measures will contribute to poverty decrease or figuratively speaking: the cake should be baked first and made larger so that it could be shared more evenly. Re-examining the concept of development in1977, Dudley Seers redefines the concept of development in which the key tasks of a country would be "property and production in leading economic sectors; patterns which save up on foreign currencies, institutional capability for scientific research and international negotiations as well as cultural objectives of the country".

The main driver in poverty reduction is industrialization as a social concept of economic development representing the concept that effectuates the transformation of all social segments, rapidly encourages employment, improves economies' growth and development,which implies the growth of both GDPandcitizens' standard. Beside the economic task that the question of employment has, it also has an important social task which in modern conditions of material well-being of highly industrialized countries is becoming increasingly significant. Together with the acceleration of economic and social development which is reflected in a more complete satisfaction of population's needsoverall, the importance of industrialization is also reflected in a more dynamic change of the economy. Dynamic development of industry also opens up a space for rapid development of other business activities which have a significant feedback effect on the industry development. Employment rate growth and production capacities expansion create necessary preconditions for the increase in workforce productivity and efficiency of resources, i.e. the rise in material production, which creates an additional space for employment growth and production capacities. Higher levels of industrialization require considerably heavier reliance on scientific and technical progress, more significant level of openness towards the surroundings and diversification of production structure.As Dani

Rodrik puts it, the industrial policy of the 21st century has to be based on a sophisticated partnership between private businesses and industrial policy agents as business knows better than the state in which way to grow, whereas the state has at its disposal mechanisms and resources to support achieving the set aim. Fast changes caused by scientific and technical progress are one of the key factors of development as 90% of all inventions that the humanity has at its disposal has been designed in the last two centuries and that has been, as we all know, the time of accelerated industrialization(Savić, 2014). Natural comparative advantages have lost the significance they used to have in recent past. Modern understanding of development is dominated by the achieved comparative advantages, rapidity of introducing innovationsand capability of the economy to turn the acquired theoretical knowledge into inventions and new technologies. The key determinant of national wealth today is the ability to gain new knowledge, ideas, innovations and technologies, the presumption of which is creating human capital and ways of handling it. The thesis about the necessity of the renaissance as the new industrial policy of the EU has been adopted accordingly, the aim of which is to realize that industry and the connected services should take the central place as generators of business, employment and growth as well as the increase in competitiveness in other areas. The new concept of development opens a door for strong reshaping of industrial basis in the sense of increased involvement of industry in its GDP as well as a radical and necessary twist towards the EU competitiveness increase, from the still dominant model of low-cost competitiveness to the innovation-based or knowledge-based model. Other policies are also mentioned, such as regional and demographicpolicies and especially policies the aim of which is to slow down the emigration of young people from Europe to the USA, China and other countries(Vujošević, Zeković, 2014). The USA have been a "magnet for highly educated migrants" and it is known that in the period from 1901 to 1990, the most wanted prize for the results achieved in scientific research, the Nobel Prize, was awarded to about a hundred researchers from the USA. However, it is far less known that almost a half of these Nobel Prize winners were either scientists born abroad or they pertained to the first generation of immigrants (Paral, Johnson, 2004).

Knowledge as the key factor of development

Knowledge and innovation provide the opportunity for the growth in productivity in companies, which strengthens the competitiveness of national economies. Economy competitiveness is a reflection of its individual parts' overall development, that is to say, economic branches

in which a large number of successful companies do their business, achieving full employmentand providing opportunity for high living standards for population. Institutional conditions and microeconomic policies create a business surroundings in which companies do their businesses whereas microeconomic policy ensures safety and stability of business environment and it provides the economy development with its direction (Filipović, Nikolić, Ilić 2015). As a result of the new theory of growth, the value of non-material assets of modern companies goes between one half and two thirds of their market value and the rest refers to nonmaterial resources (Vujović, 2014). In that sense, the knowledge-based growth is transferred to business through a synergy of knowledge and skills based human capital aswell as employee's motivation and structural capital expressed through intellectual property, organizational processes and organizational structure, this way taking part in creating values referring to (relational) external capital as well as numerous external relations with various interested parties and their perception of the company. The relationship between knowledge,innovation and knowledge-based economy is complex and interdependent since knowledge facilitates the development of new innovations whereas innovations change and build aknowledge-based society. National innovation capacity is not a term used only for denoting the accomplished level of innovativeness, but also basic conditions, investments, choice of policies for creating surroundingsconvenient for innovativeness as well as wholeness of relationships and connections among various companies and institutions which build and improve innovation culture. With a view to improve innovation activities as well as overall economic development of Serbia, the Law on Innovation Activity[3] was passed and at the same time the Fund for Innovation Activity was founded in order to encourage the innovativeness of national economy. According to the data of the World Economic Forum 2016, Serbia ranks 108th out of 138 countries for innovativeness. The achieved level of development of high technology sector is a good indicator of the extent to which the economy is based on knowledge. Lower incidence of high technology sectors compared to most countries in the EU as well as neighbouring countries implies Serbia's falling behind in building modern knowledge-based economy. Serbia is essentially closed for science and innovation although in national strategies its main competitive advantage is stated to be the knowledge which will be used through the education reform with the focus on research and innovation application as well as faster development of new information

[3]The Law on Innovation Activity, 2010. Official Gazette RS, no.110/2005 and 18/2010

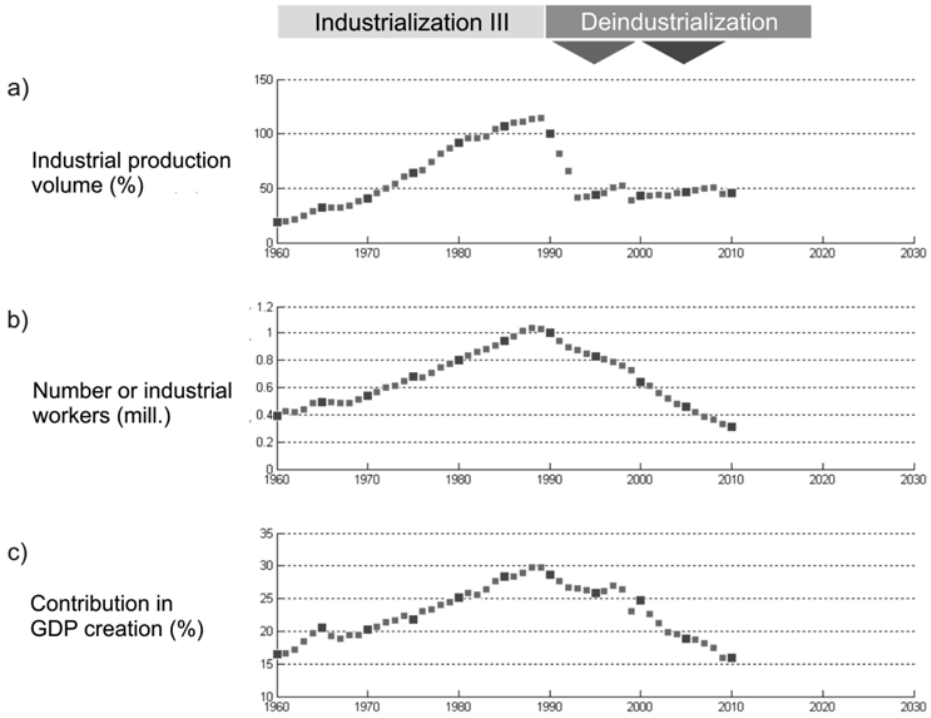
and communication technologies. However, the resourcesallocated for research and development are insignificantly low, under 0.4% of GDP in 2012 while the investment by the economy amount to less than 0.1% of GDP, which suggests how much importance is attached to this issue. OECD member countries allocated about $645 billion for research and development in 2000, which is 2.3% of gross domestic product. According to the World Trade Organization estimate (2004), about 70% of this amount was allocated precisely by business companies (Grečić, 2014). The need for increasingly higher investment in research and development is imposed accordingly. Conducting the development strategy in Serbia through the implementation of knowledge reminds us of Njegoš's"let it be what men thought could never be" in which even the suppliant himself doesn't believe in the positive outcome of his plea and he isn't doing anything to make it happen.At the same time, almost without exception, factories set up through foreign investment realizetheir developmental component outside Serbia's economic space. Corporate managers who run business systems in Serbian factories for the greatest part deal with basic existential questions, building their competitive position based on the reduction of costs, especially in the domain of workforce, and designing the business system in such a way that the human resource is dominantly directed towards work intensive processes.

Serbia's development policy

Contemporary world is characterized by various discrepancies, uneven development, the world economic crisis, which lead to new challenges, risks and threats the effects of which are reflected not only on a global but also regional level as well as the level of individual countries, like the Republic of Serbia. Looking up to Europe, Serbia declared itself a knowledge-based society. Unlike Europewhere industrialization is of utmost strategic importance and connected with technological development, Serbia today is just discovering the role and significance of industry in the development of a modern society. Creating a vital and globally competitive industrial system is a very long and complex process which requires extensive investment in building infrastructure as well asadequate regulation and institutional framework. At the same time, industrial progress requires long-term planning of technologic development and the development of adequate human resources through permanent and higher education. After the war, rapid industrialization was set as the highest national priority in Serbia, achieving this way an average annual growth rate of 7.7% in the period from 1955 to 1990, which

contributed to Serbia being in the group of medium-developed industrial countries at the end of the '80s of the last century. As a result of a range of strategic projects ran by domestic industry and domestic science as well as through programmes of international cooperation, domestic experts were created, highly specialized for the field of CNC technologies, robotics, mechatronics and a wide spectrum of application of information communication technologies in industrial production and managing business systems. Developmental and educational activities were followed by putting up highly specialized research and development laboratories, new technology centres, whereas leading industrial companies formed specialized research and development units including institutes within their business systems. One of these institutes was Lola Institute set up within Lola Corporation as a specialised research and development unit for the field of numerical and flexible production technologies (Petrović, 2014).Industrial centres as agents of development employed about 1.1 million workers, creating 44% of GDP. Serbian industry was caught in crisis in the last decade of the 20th century achieving an average annual production rate of 6.6% with a downward trend. In year 2000 industry employed 765 000 people, whereas the industrial share in creating GDP amounted to 29%. Most industrial centres were in deep economic crisis. After the October changes the agony of Serbian industry continued. From 2001 to 2011 a rather modest average annual industrial production growth rate of 0.7%in total was achieved. Industry's contribution to GDP was only 18.1%. In 2013 industry employed just 275,000 workers the same as way back in 1955. In 1990 year in Belgrade, 245,000 people were employed in industry, whereas in 2014 the number comes to only 14,000. During the nineties Serbia entered an intensive process of deindustrialization with extensive undoing of the accumulated knowledge and physical infrastructure, namely factories and industrial production machines. What is characteristic is that certain fields and industrial branches, especially in the area of high technologies and medium high technologies during the 25-year-period of crisis almost completely disappeared. The industry in Serbia no longer produces machine tools, industrial robots and transfer lines for automotive and other metal processing industries, which are the engine of industry development as well as a significant component of technological independence and long-term stability of Serbian economy. At the same time, the production of this type ofgoods contributed significantly to the export and the reputation of Serbian industry on a world scale (Petrović, 2014).

Picture1 *Industrialization-deindustrialization of Serbia*



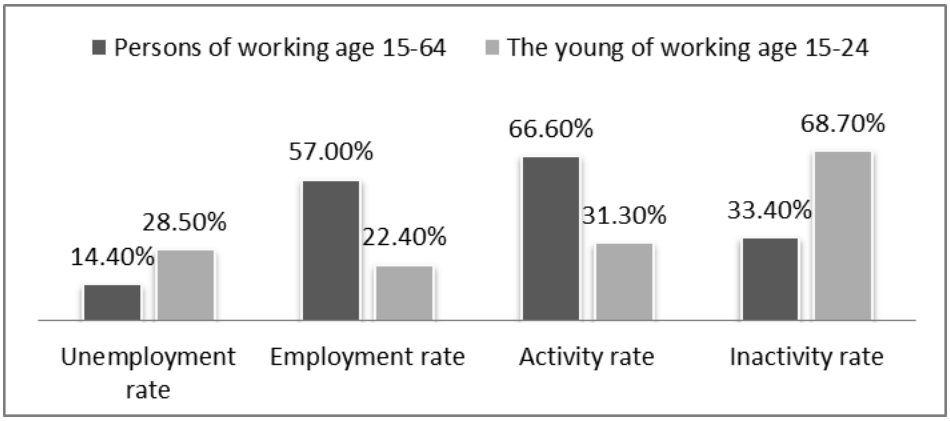
Source: *The Academy of Engineering Sciences of Serbia (AESS)National Technological Platforms of Serbia (NTPS) 2011)*

Tercialization of economy (picture1) deformed completely the economic structure leading to numerous misbalances brought to surface by the global economic crisis. In collapsing of Serbian industry, a special place is taken by the model of privatization which was not utilized for restructuring and revitalization of industrial capacities as the agents of economic development, employment and export in the previous period.It is possible to induce the damage caused by development discontinuity from the '90s of the last century through a dynamic component of human resourcesdevelopment, that is to say the accumulation of industrial workers. In the 30-yearperiod, about 18,000 people were employed annually on average, which lead to an accumulation of over half a million industrial workers. The continuity of this process suggests a constantaccumulation of productive technological knowledge in Serbian industry,creatingnetworks and diversifyingover time through complex cooperative processes inside industrial tissue, which makes up the essence of development of industrial system competitiveness on sustainable basis. Dynamics of the period indicates the real capacity of Serbia in generating human resources for industrial production. The crisis

period is manifested through erosion prices of enormous proportions, the intensity of which was double the intensity of accumulation process. In 20 years Serbia lost almost 700,000 workers, i.e. 34,000 workers annually on average. With quantitative changes came qualitative changes as well. Statistical data from 2011 indicate that qualification profile of the remaining industry workers is rather unfavourable, showing a small number of employees with tertiary education (for comparison's sake, strategic commitment of Europe is to reach 40% of industrial employees with tertiary education at the age of 30-40 by 2020). Age structure in Serbia, especially in the field of development is quite unfavourable; the average is estimated to be over 55 years old(Petrović, 2014).There is also a completely unjustified belief that Serbia has quality workforce. Hence, it came as quite of a surprise when at the beginning of December 2010a representative of German companies who invested in Serbia as well as the ambassador of Germany stated that Serbia doesn't have quality workforce that they need. It came as even bigger surprise when the director of Srbijagas declared that in Serbia there aren't enough skilled workers needed for the realization of construction works of the South Stream. An owner of fashion clothing line also stated that she wasn't able to provide adequate workforce. Clothingmanufacturers from Arilje too, complain that they can't procure qualified workers. These and many other indicators cast doubt on the possibility of achieving dynamic growth of economy as the quality of human capital has been deteriorating for years and there is a real threat of the trend to continuefurther on (Kovačević, 2014).Today, after 25 years of intensive deindustrialization, a new context is gradually being created with a critical mass of social needs and the political will for the new wave of industrialization that derived from them. In the economic space of the EU, analyses show that two additional work positions in the sector of technologically high quality services are connected with every work position in the industry (Petrović, 2014). Therefore, economic sustainability of a production system is the key for sustainability of the economic system overall, especially for the increase in employment which is one of the most significant social problems faced by Serbian economy. According to the data by theStatistical Office of the Republic of Serbia, in the Republic of Serbia 57% of the population aged 15-64 were employed in the third quarter of 2016; this is one of the lowest employment levels in Europe. An especially unfavourable feature of the unemployment in Serbia is its lengthiness, the reason being that as much as two fifthsof the unemployed have worked longer than 5 years and only a forth shorter than a year, leading to the conclusion that this is not a cyclical unemployment, but structural, which gives very small chances of finding

an employment again. The consequence of long-term unemployment is that people lose a part of the acquired knowledge which leads to the risk of getting into the state of hopelessness and social exclusion. International experience shows that probability of finding a job reduces relative to the length of unemployment, which can lead to permanent exclusion from the labour marketand increased risk of poverty. Unemployment is especially prominent with younger population between 15 and 24 years of age, to whom in most cases it takes years to be able to integrate in the labour market which leads to both severe work and psychological consequences, considering the fact that biological and sociological maturation is in correlation with the process of involvement of an individual in the social community.The process of involvement in the social community itself lasts until an appropriate level of social autonomy, responsibility and independence is reached.[4]According to a research published in the Great Britain, it was determined that longer periods of unemployment cause the people to have lower income by 9-21% for as long as 20 years after starting work, compared to people that find an employment immediately after finishing their education. Data provided by the Statistical Office of the Republic of Serbia (SORS) (Picture 2).

Picture 2 *Rates of activity, employment, non-activity and unemployment*



Source: *SORS-3rd quarter, 2016*

"Brain drain" is a phenomenon that emerged as a consequence of highly educated young workforce's inability to find employment in their own country, which is why they leave it and find a job abroad.

[4]National employment strategy for the time period 2011-2020 (20.02.2017), http://www.gs.gov.rs/strategije-vs.html

Numerous factors affect this decision: inability to find employment, insecurity and lack of perspective, inability to move forward in career, inability to earn one's income, not being able to solve housing problem, ethical reasons, etc. Some research show that the key factor for emigration is "…unstableeconomic situation combined with bad state governmentand corrupted oligarchic state structure which strives to eliminate undesirable elite".Serbia experienced the first major "brain drain"during the nineties due to the wars, economic crisis and international isolation. After the year 2000, the same trend continued, pacing up since 2008 until today. As far as the structure of migrants is concerned, the highest number of highly qualified professionals who left the country belongs to the technical and natural sciences. When it comes to age structure of emigrants, in 75% of the cases they are persons aged 15 – 54 (Pejanović, Šovljanski, Vujkov, 2015).

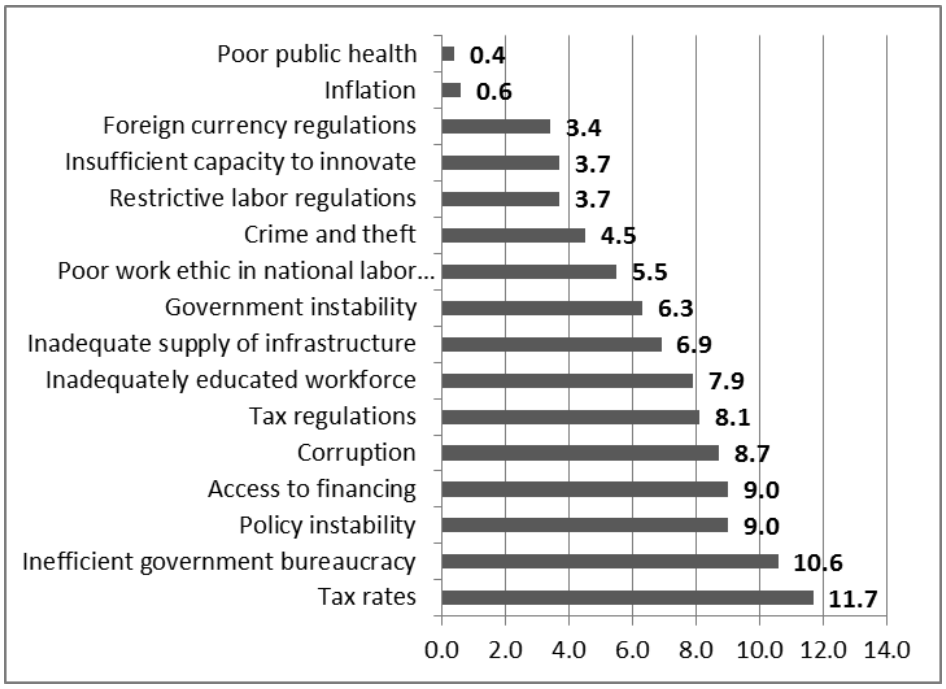
Unfavourable demographic trends also contributed to deterioration of labour market basic indicators in the Republic of Serbia. According to the results of census in 2002, more than 900,000 people in Central Serbia and about 300,000 in AP Voivodina (which makes about one sixth of the population) is 65 or older, which puts the Republic of Serbia in the group of the oldest countries in the world.[5]From an economic point of view, the influence of age structure on the economic structure of population as well as workforce structure is particularly important. As a consequence of negative population growth, that is population aging, working age population was shrunk by 4.5% in the time period 2005-2010, whereas at the same time active population was reduced by as much as 13%, so that the number of active population aged 15-64 totalled 2,851,000 persons, which makes only 59.1% of total working age population. This working age population activity rate in the Republic of Serbia is significantly lower compared to the average of 27 EU countries which totals 71.3%.

An enormous limitation on the part of Serbian economy, especially its industry is a severe problem of produced goods sales due to a quite low purchasing power of domestic companies, local authorities, state and especially common people. According to the study carried out by Purchasing Power in Europe 2013/1, Serbia is placed 34th in Europe with the purchasing power of 3,032 euros per head.At the same time average purchasing power of European population amounts to €12,890 which is 4.25 times more thanthe average in Serbia. Apart from the limitations

[5]Birth incentive strategy(20.02.2017) http://www.gs.gov.rs/strategije-vs.html

stated, there are a large number of indicators which make Serbia an unattractive investment destination (picture3).

Picture 3 *The most problematic factors for businessdoing in Serbia 2016*



Source: *WEF.GCR 2016-2017*

According to thereportby the World Economic Forum from 2016, the main obstacles for conducting business in Serbia, besides tax rates and governmentbureaucracy inefficiency, are political instability, access to sources of financing and corruption. Apart from the stated, the following should also be pointed out: for the quality of roads Serbia ranks 115th, for the quality and functionality of ports it takes the unfavourable 118thplace, for the organized criminal it takesthe high 107thplace, forthe relationship between public debt and GDP the rather uncomfortable 111th position, for the intensity of local competition the 128th position, for the level of domination, i.e. market monopolization the 129th position, for the quality of employee training in companies as low as 127thpostion, etc. These indicators, as well as a range of others, discourage foreign and domestic investors to invest in the region of Serbia.

Case study

After the political changes in October 2000, the citizens that were completely impoverished during the nineties had great expectations for rapid improvement of living standard. Due to dramatic decrease in economic activity, Serbianeconomy was characterized by obsolete technology andsuperannuated equipment, especially in industry,lagging behind the requirements of the world marketaccording to all standards. Economic growth and development was running in the attempt to achieve the growth of personal and public consumption at the same time, the reason being that changes in personal consumption reflect on the general state of national economy, they influence the perspective of growth or recession as well as the increase or decrease in employment. At the same time, through market reforms, privatization and the inflow of foreign investment, institutional and material assumptions for stable development are created.[6]However, the achieved results are half-way at best, because of insufficient GDP growth, unfavourable growth structure and the use of GDP, which led to the increase in foreign trade misbalance due to growing foreign trade deficit as well as current payment deficit. The main components of economic growth were services as activities in which a business could be set up with modest financial resources. At the same time, production activity requires more substantial material investment, especially in the period from two tofour years, and only after this period the investment may generate stable income, return the investment and create profit.Besides substantial investment, production activity requires certain knowledge and skills in the given production area. In the period of industrialization, the knowledge of production processes which had been gathered for decades and represented significant scientific and professional resource of the society faded rapidly. Simultaneously, the period of industrialization caused fewer opportunities for becoming a part of industrial sector supply chain, regarding that small entrepreneurs should have been first partners in business and producers for large industrial systems. As large production systems disappeared, small entrepreneursdisappeared with them losing their market. One of the examples of ideal business environment is the period of industrialization in which I would single out ZastavaGroup as the largest industrial conglomerate in the region of the former Federal Republic of Yugoslavia, which comprised 47 companies and 432 co-

[6]Postcrisis model of economic growth and development in Serbia 2011-2020, (20.02.2017) www.kss.org.rs/doc/1102_makroekonomska_proj__razv_Srbije_2011-2020.pdf

operators, out of which 220 directly dependent ones. The estimate says that around 500,000 people all over the country were involved in the production of ZastavaAutomobiles, directly or indirectly[7].The work in large production systems created skilled personnel as well as business opportunities which were recognized by enterprising individuals for creating their own businesses. In this way, industrial sector generated entrepreneurs of allied manufacturing activities; by commencing cooperation they created security in business as well as performance which enabled stable growth and development of the company. The '90s crisis, besides major downfall of living standard, caused aboost in entrepreneurialspirit which individuals who worked in large erosive systems recognized as an opportunity to start their own businesses. Hence, a large number of business entities originated from this period, especially in the domain of services which made use of the weaknesses of large business systems and take over the market share. Hereinafter we will present running of a company in the domain of services in customs clearance.

Business name:"Špedial", Limited Liability Company for Trade and Services
Legal form:Limited Liability Company
Headquarters:Industrijska bb, Novi Sad

"Špedial" LLC was founded on March 15th, 1993 with the basic activity of intermediation in customs procedures and conducting freight forwarding services. The company recorded growth in the earlier stages of conducting business, so they employed 10 people with branches in Sremska Rača, Sremska Mitrovica and Novi Sad. Today this company has one employee in the capacity of the founder, manager and agent with the headquarters in Novi Sad. Reduced or almost non-existent domestic production activity is causally connected tofreight forwarding companies. These are the reasons why many once state (today joint-stock companies or limited liability companies)freight forwarding companies like Jugošped, Vojvodinašped, Tranšped do their businessesholding small market shares. The existence of a large number of freight forwarding companies led to a drastic drop in service prices whereas at the same time business costs are on the constant rise. The companies that used to be production giants and were located on the territory of the municipality of Novi Sad such as: Novokabel, Pobeda,

[7]Zastava Automobiles (09.01.2017)
https://newhive.com/madacki/zastava-automobili?q=%40madacki%20%23cars

Agrohemand others, reduced their production activity to a minimum and most of them stopped doing their businesses. They were replaced by large trade companies as well as import-export companies. By carrying out business in a market-based way, most large production and foreign trade companies have their own freight forwarding service as well, (like for example FKL-Temerin) or a freight forwarding company that can follow through the given volume of business in terms of both logistics and credit (by means of bank guarantees).A precondition for carrying out freight forwarding services is passing theagency examin Customs Administration by which a person (customs declaration applicant) acquires the professional title of customs agent. Applicant (declarant), based on work orderreceivedfrom the instructing party (importer/exporter), submits customs declaration for the goods which are the subject of the procedure in written and electronic form (import, export, temporary import, etc.).The submitted documentation (customs declaration) has to be in compliance with the goods thatare the subject of customs clearance in terms of quality and value, which customs agent who is in capacity of authorized person confirms with his/her seal and signature.In case that the submitted documents don't comply with goods, customs officer can initiate a customs offence proceeding against the authorized person (declarant) as well as authorized freight forwarding company; depending on the seriousness of offence, the proceeding may lead to goods confiscation, fine (for legal person and authorized person) as well as losing licence, that is agency. Špedial LLC didn't have major customs offences in its operations. The most severe limitation in this company's business is the bank guarantee, the value of which amounts to million dinars and hence doesn't allow clearance of goods of higher value.A bank guarantee is issued by a commercial bank based on balance sheet, profit and loss account, volume of sales and other financial indicators and in most cases based on the company's assets as well. Considering that Špedial LLC is a company without assets, located in a commercial building of Vojvodinašped as a user (contractor) of office space and with modest financial indicators, the stated company is not able to obtain a higher value guarantee. The guarantee received by the commercial bank is submitted to Customs Administration ECE (Electronic Computer Centre)which certifies and records the guarantee amount in its data basis, permitting the company to carry out customs clearance for its customers in the amount that doesn't surpass the given guarantee. A bank guarantee postpones paying customs and VAT for the goods that are subject of customs clearance for the period of 8 days, which is significant for the importer. After completing the clearance, the value of bank guarantee of freight forwarding company is reduced by the amount of customs fees

and VAT until the moment of customs debt settlement.This practically means that the value of bank guarantee (customs guarantee) should cover for the amounts of customs bills on a weekly basis, regarding the fact that importers most often settle their customs accounts on the 8th day and it isn't unusual for them to miss the deadline permitted by law. In that way freight forwarding company credits its customer-importer for the amount of customs duty and customs tariffs, which creates major difficulties in businessdoing. There are cases when the importer doesn't settle his/her customs accounts and customs tariffs and in that case the freight forwarding company needs to discharge the obligations of importer as a guarantee. Špedial LLC has had cases of importers'not paying customs and customs tariffs, which caused difficulties in company liquidity maintenance; in spite of this, the company has never been blocked.

Conclusion

Modern economic flows are getting increasingly dynamic and they are directed in advance through the coordination of economic policies of countries within regional integrations.The complexity of the environment also affects the concept of business management since a market-oriented business is dependent on the environment and a considerable amount of changes within its internal configuration takes place together with the change of the ways in which it is connected with the environment. In the 25-year-long deindustrialization period Serbia created an environment characterized by: general downfall in economic activity, high unemployment rate, unfavourable demographic trends as well as a knotty problem of produced goods sales due to a rather low level of purchasing power of domestic companies, local government, state and particularly common population. Massive disturbances in demographic development, depopulation and intensive process of population aging are not only the questions of demographic sustainability, but also the questions of general social and economic development affecting present and future generations. At the same time, the inability of advancing in career, inability to earn the income, not being able to solve housing problem and ethical reasons are some of the factors that cause negative migration trends. All the stated problems generated negative expectations and a low level of trust in the system in which a general lack of opportunity prevails.In Serbia prevail entrepreneurs who started their businesses for existential reasons, not because of perceived business opportunity. The largest obstacle for conducting a business in Serbia is the level of development of institutions, this being a precondition for a stable economic growth. In the case

study, we presented a company from the field of services in customs intermediation. The mentioned company was founded at the beginning of nineties, the period characterized by the downfall of economic activity, instability of prices reflected in hyperinflation as well as introducing sanctions.Even with the stated limitations, the company was in the stage of growth which led to opening new branches. Tercialization of the economy that characterized the period after political changes facilitated the rise of the number of business entities in the field of services in customs intermediation whichtogether with growing costs added to the decline in business activity of the company in question. For the stated reasons, most companies in Serbia are in the advanced stages of strategic and operational crisis. Strategic crisis is characterized by endangered growth potential as well as its erosion whereas indications of operational crisis are high expenses, lack of input and endangered liquidity.

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