

Change of wind for Bosnia and Herzegovina's private enterprises

CARDS 2001

Country

Bosnia and Herzegovina

Implementation period

2001-2003

Funding

€3 million

Results

Capacity building and restructuring for local private enterprises, business advice, and strategies to mitigate negative social impacts of restructuring

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European Programme for Enterprises (EUPER) – Revitalising Bosnia and Herzegovina

Bosnia and Herzegovina's business sector is undergoing radical change as it attempts to catch up with the rest of Europe after a decade of war and decline. Turning its fleet of small and medium-sized enterprises (SMEs) round is key to achieving this goal.

This business restructuring exercise, backed by €3 million of EU funds under the CARDS programme, carefully chose 24 private businesses to undergo an intensive revitalisation programme – i.e. financial and marketing advice, management training, product and design upgrades, restructuring human resources, and mentoring/twinning exercises – aimed at improving their profitability. The two-year project's mission was also to mitigate the potential social costs of overhauling Bosnia and Herzegovina's enterprises, providing assistance to employees made redundant under the scheme, and wherever possible to look for ways to complement the Local Service Provider Development Programme in the framework of EUPER.

Reflecting on a tough job well done

Now the project is over, team leader Nicolas Gerras has had time to reflect on the job. He said that more could have been done if the project had run for longer and the participating companies were given funding on top of the advice and training. But the project did succeed in building ties between consultants and small businesses, and has helped them become more efficient.

"At the start, we agreed a separate set of objectives with each company because they were all unique. Sometimes, during a review two-thirds of the way into the programme, it was obvious the goals weren't realistic, so we would revise them accordingly," Gerras noted. He thinks using local consultants was a great success, actually increasing employment in that sector.

"We introduced them to a lot of private companies from a wide cross-section of industries [which has helped build their client base] and now we're doing a survey of these companies to see if they would consider using the consultants in the future if they had to pay themselves," he said, adding that it is a little early to know the real benefits of this project. But making the companies leaner has shown immediate benefits.

Making the cut

When the project kicked off, on 16 August 2001, the first thing to be done was to select around 20 companies to work with. The project team published an advert in a local newspaper inviting people to attend a seminar in Banja Luka and Sarajevo. About half of the 400 attending companies then applied to take part in the scheme, which netted around 40 suitable candidates for participation.

These were then ranked according to criteria set down by the project team and a final selection of 24 was made. “One of the problems we didn’t foresee was that there actually aren’t that many ‘truly’ private companies in Bosnia and Herzegovina,” noted Gerras, which made it more difficult to find suitable candidates for the project.

Once selected, the companies received hands-on guidance – from local and international consultants – on how to upgrade their business plans and extensively restructure the way they operate, making them more competitive in the market, both local and export-oriented.

Clusters and value-chains

Another aim of EUPER was to identify potential new industrial clusters and value-chains, and to help them become seedbeds for competitive industrial development in selected regions of BiH. But this proved to be difficult. In the summer of 2002, the project decided to confine its search to smaller value-chains and this was carried out in parallel with the company restructuring.

Equally important to the project was the need to find innovative and practical solutions for minimising the social impacts of the restructuring programme, especially as making companies more cost-effective often means having to shed staff. This was exacerbated by the fact that unemployment was already high in the regions where the companies were being asked to make people redundant.

However, the team worked closely with the affected companies to offset these negative effects and, in so doing, helping to build the industrial base from the ground up, which should help to provide jobs elsewhere in local economies.