



www.sjm.tf.bor.ac.yu

*Serbian Journal of Management 1 (2) (2006) 123 - 138*

---

---

Serbian  
Journal  
of  
Management

---

---

## **CRISIS MANAGEMENT AND SANATION OF ENTERPRISES FOR THE PRODUCTION OF PUBLIC GOODS**

S. Adžić<sup>a\*</sup> and R. Šaša<sup>b</sup>

<sup>a</sup> *Faculty of Economics, Segedinski put 9-11, 24000 Subotica*

<sup>b</sup> *SOMBOR-GAS, 21. oktobra 11, 25000 Sombor*

(Received 15 June 2006; accepted 30 October 2006)

---

### **Abstract**

The process of the sanitation of enterprises for the production of public goods represents a very complex, risky and expensive (politically, economically and business) venture. The long-lasting policy of treating the sector for production of public goods as an activity having as its basic task to provide, sheaply of gratis, the supplying of population and economy with public goods and services as well as exclusive political criteria in the choice of their management along with the non-selective subventions of various political, macroeconomic and business failures, developed an incremental conduct in practically each enterprise for the production of public goods regarding the changes in social, economic and technological surrounding. The start position in the present work is that it is necessary to raise the work efficiency of the enterprises for the production of public goods - by implementing the relevant techniques of crisis management with inner (internal) restructuring on the basis of individual programs made by respecting the methods and concepts of the following techniques: strategic planning and managing, team work, reingeenering and benchmarking on one side and the specificities of restructuring these enterprises in societies and economies in transition and being reflected in undeveloped market infrastructure and absence of adequate regulatory public mechanismus for the substitution of the market mechanisms. This fact give the certain degree of subjectivity to the whole process of the sanitation of the enterprises producing public goods. According to this, the Authors selected an approach where the basic task of the crisis management in this sanitation of enterprises for the production of public goods in the adaptation of so-called soft elements (software) as (1) Changes in the structure of might between inner and outer factors with emphasis on making a precise, public and transparent framework for the public regulation of the conduct of enterprises running their business in the regime of natural or administrative monopoly, (2) Improvements in regulatory circles and rules of game for performing key business processes in the production and distribution of public goods, (3) Adaptation of general frameworks defining he role and economic position of employees and (4) Development of the culture of organization (of the production of public goods) ensuring the quality of contents of characteristic rituals of behaviour of employees in the function of more efficient satisfaction of the needs of customers or users of public goods and services.

*Keywords:* Sanation of enterprises for the production of public goods, Crisis management, Strategic planning, Reingeenering, Benchmarking, New public management

---

\* *Corresponding author: sadzic@eccf.su.ac.yu*

## 1. INTRODUCTION

The process of the sanation of enterprises for the production of public goods represents a very complex, risky and expensive (politically, economically and business) venture. The long-lasting policy of treating the sector for the production of public goods in Serbia as an activity having as its basic task to supply, at low cost or for free, the population and economy with public goods and services, as well as exclusively political criteria used to choose their management, along with the non-selective subsidizing of various political, macroeconomic and business failures, developed an incremental conduct in practically each enterprise for the production of public goods regarding the changes in social, economic and technological surrounding. In the light of the radical changes that have happened in Serbian social and economical system, a question is being raised - Why are market mechanisms so slowly implemented in the domain of production and distribution of public goods?

The authors believe that the key reasons for slow and inconsistent implementation of market mechanisms in the domain of production and distribution of public goods in Serbia are the following:

1. The efforts of political factors regarding their failures in the realization of the strategy of structural adjustment of the existing economy, the renewal of development efforts based on the increased employment and provided social security according to the open economy criteria are all partially compensated by giving some special concessions for the input (non-market) price of many existentially important and infrastructural goods and services (for example - de facto assigning the

status of public goods to commercial products and services such as: import, transportation, storing and distribution of natural gas; water production; disposal and recycling of communal, toxic and radioactive waste), as well as by servicing financial liabilities associated with their use.

2. In order to keep the monopoly of the existing (pseudo) private or public enterprises (especially in the area of production and distribution of electricity and the import, transportation, storing and distribution of natural gas), large producers, especially competition, are practically made impossible to directly purchase these from the producers or from abroad.

3. Due to the fact that the privatization, development and interests of broker-oriented entrepreneur and political elite are blocked - the development of a large part of infrastructure in the production of public or commercial goods sector, such as fixed telephony, local infrastructure for gas distribution, cable TV and similar - all these are still being financed solely from the money paid by potential customers or from the budget using non-market prices.

4. Due to the interests of various distribution-oriented coalitions, the prices of many public goods are not formed according to economic principles, whereas a certain number of customers (who are chosen without any regulation in place and without transparency) are given the right to pay their liabilities in an untimely manner and without any consequences.

Having in mind the above, the basic characteristics of the crisis of enterprises for the production of public goods in Serbia are: (1) the impossibility to effectively realize projects of expanded reproduction in accordance with the changes in the structure and the dynamics of the demand rise, (2)

transferring all irrational actions to customers and users, without any sanctions , (3) inadequate protection of public and private interests.

It is obvious that in overcoming the hereto presented reasons and consequences for the crisis in enterprises for the production of public goods the standard rehabilitation measures are not sufficient. They mostly consist of financial consolidation measures, liquidity improvement and (sometimes) management restructuring. The complete privatization of a enterprises would not present an adequate action aimed at overcoming the crisis, because the market infrastructure is not developed and due to the fact that the public factor's managerial capabilities are rather weak when it comes to organizing an efficient and transparent regulatory system for enterprises working in the regime of natural or administrative monopoly [9, 10].

In this sense, in order to increase the efficiency of enterprises for the production of the public goods it is necessary to implement the measures for the improvement of external and internal management and control systems, to restructure the internal organizational structure, to downsize and stop those business activities which can be organized in the competitive sector, to create the necessary capital basis for the revitalization, modernization and new construction. All this should be done in order to rationalize the business and increase the economy and quality of the production of public goods to a socially acceptable level.

The starting point here is that it is imperative to increase the work efficiency of enterprises for the production of public goods by implementing relevant techniques of crisis management for the internal (inner) restructuring on the basis of individual

programs made by respecting the methods and concepts of the following techniques: strategic planning and managing, team work, reengineering and benchmarking on the one side and the specificities of restructuring these enterprises in societies and economies in transition, which are reflected in undeveloped market infrastructure and the absence of adequate regulatory public mechanisms for the substitution of the market mechanisms. Having this in mind, this paper will deal with the specific qualities related to the implementation of techniques of the new public management, strategic planning, reengineering and benchmarking in respect to the companies' rehabilitation needs and in circumstances where external initiatives are not adequately and precisely defined due to lack of adequate market mechanisms and bad quality of macroeconomic and political regulations for its substitution or replacement.

## **2. SELECTING THE MODEL FOR SANATION OF ENTERPRISES FOR THE PRODUCTION OF PUBLIC GOODS**

The selection of the model for sanation of enterprises for the production of public goods directly depends on the aims that should be accomplished. Like in all other cases, a successful sanation strategy must have a short-term, a mid-term and a long-term aspect. The first one is the most important aspect and its basic function must be preserved - securing the continuous supply of the population and its productive and non-productive spheres with concrete public goods in the amount which would not jeopardize the living conditions, as well as work and other processes. This criterion also

represents the biggest danger in the structuring the goals for sanation of enterprises for production of the public goods, because short-term benefits stemming from keeping the production of public goods at any cost may cause much more damage in the future. This kind of approach is increased also due to the existing interests of the dominant political option, which is to avoid, at any cost, the consequences resulting from stopping or decreasing the production of these public goods. These points out that making and realizing short-term measures must be a part of a planned revitalization approach and a new strategic orientation. In accordance with this, when creating a balance between the urgent and the strategy for sanation of enterprises for the production of the public goods, the following activities should have the key role:

First, replacing the old and forming new management that is loyal to the social mission of the enterprise. This management should, at the same time, be qualified and interested in the implementation of efficient management methods in the process of using and maintaining production factors needed for the production of public goods.

Second, a planned "cleaning" of the enterprise for the production of the public goods should be performed in order to stop those secondary and tertiary business activities which are not in the regime of natural monopoly, including the sale or assignment of all capacities which at the same time exist in the commercial (competitive) sector.

Third, the development of a new organizational structure with the following goals: (1) the creation of conditions for approaching the users of public goods in accordance with accurately defined standards, (2) the development of new

cooperation models with the suppliers with the purpose of creating new economically and technically more rational dependency and reciprocity relations, and (3) the creation of new strategic coalitions, especially with the private sector, as a means of managing the development [7, 10].

Fourth, the development of a new structure of ownership relations in the chain of reproduction of public goods which will enable the following: (1) the development of corporate entrepreneurship as a primary generator of new business ideas and initiatives, (2) attracting fresh capital under most favourable conditions for public finances and users, and (3) decrease of public expenditure for financing current transactions [10].

Fifth, obtaining public support for the efforts directed towards the rehabilitation of crisis existing in the production of public goods. Almost all forms of rehabilitation, including the privatization of enterprises for the production of the public goods (or the significant portion of the reproduction process in the production of public goods) as a basic means of a long-term crisis solving, by a rule of thumb mean higher prices for users and less freedom in obtaining public goods [9, 11]. Therefore, all the activities related to the rehabilitation must be transparent - so that the public can be convinced of its appropriateness. The basic point here is that every advance of prices of public goods that stems from the choice of a the sanation model must be accompanied by the decrease of fiscal pressure on the current and future income.

In any case, prior to the selection of the model for sanation of the enterprises for the production of public goods an exact analysis should be done. To that end, a portfolio analysis could be performed in order to

realistically assess current situation and initiate ideas for the selection of goals and mechanisms of rehabilitation [3]. The basis for the creation of a portfolio matrix that is used for the selection of methods of treating an enterprise is represented in the information about the key causes of crisis (Table 1).

Like in every other portfolio analysis here we also have a situation in which it is necessary to liquidate (involuntarily) an enterprise for the production of public goods. However, unlike in the case of enterprise for the production of the commercial goods, here the public factor embodied in the form of the state must prepare an alternative solution in the form of a program for

*Table 1. List of information necessary for diagnosing the causes of crisis in the enterprises for the production of public goods*

Internal samples (the status of own resources)	External samples (influence of a political factor and the situation in the public goods market)
<ul style="list-style-type: none"> <li>• Management</li> <li>• Control system</li> <li>• Employment</li> <li>• Organizational structure</li> <li>• Participation of secondary and tertiary business activities</li> <li>• Production process</li> <li>• Process (channels) of distribution</li> <li>• The quality of public goods</li> <li>• Research and development</li> </ul>	<ul style="list-style-type: none"> <li>• Changes in the socio – political system</li> <li>• Negotiation power and political superstructure</li> <li>• Changes in the socio-economic structure of population</li> <li>• Changes in the production structure</li> <li>• Changes in the non-production structure</li> <li>• Appearance of alternative products</li> </ul>

The basic problem in the implementation of this approach is represented in the need for the existence of high levels of knowledge and in a realistic approach to assessing own resources, on the one hand, and in the influence of a political factor and the need for particular public goods, on the other. In any case, when gathering information for the creation of a portfolio matrix that is used for the selection of methods for treating an enterprise, an external factor must be included. There is another final option and that is to completely transfer the process of obtaining relevant data to a specialized external (consulting) enterprise. An appropriate portfolio matrix is created based on the assessment of these factors (Figure 1).

founding of a (new) public enterprise, as well as insuring the production of public goods during the transition period which should be short because it means that the public finances would be substantially used.

The general algorithm for sanitation of the enterprises for the production of the public goods is presented a Figure 2. The process of sanitation is divided into phases consisted of a number of key tasks.

The basic phases are: (1) Observing the crisis in the production of (specific) public goods, (2) Forming the crisis management which will, together with the managers in charge and the consulting enterprises, perform a rough analysis of the causes of crisis, (3) Assessing the weaknesses of the

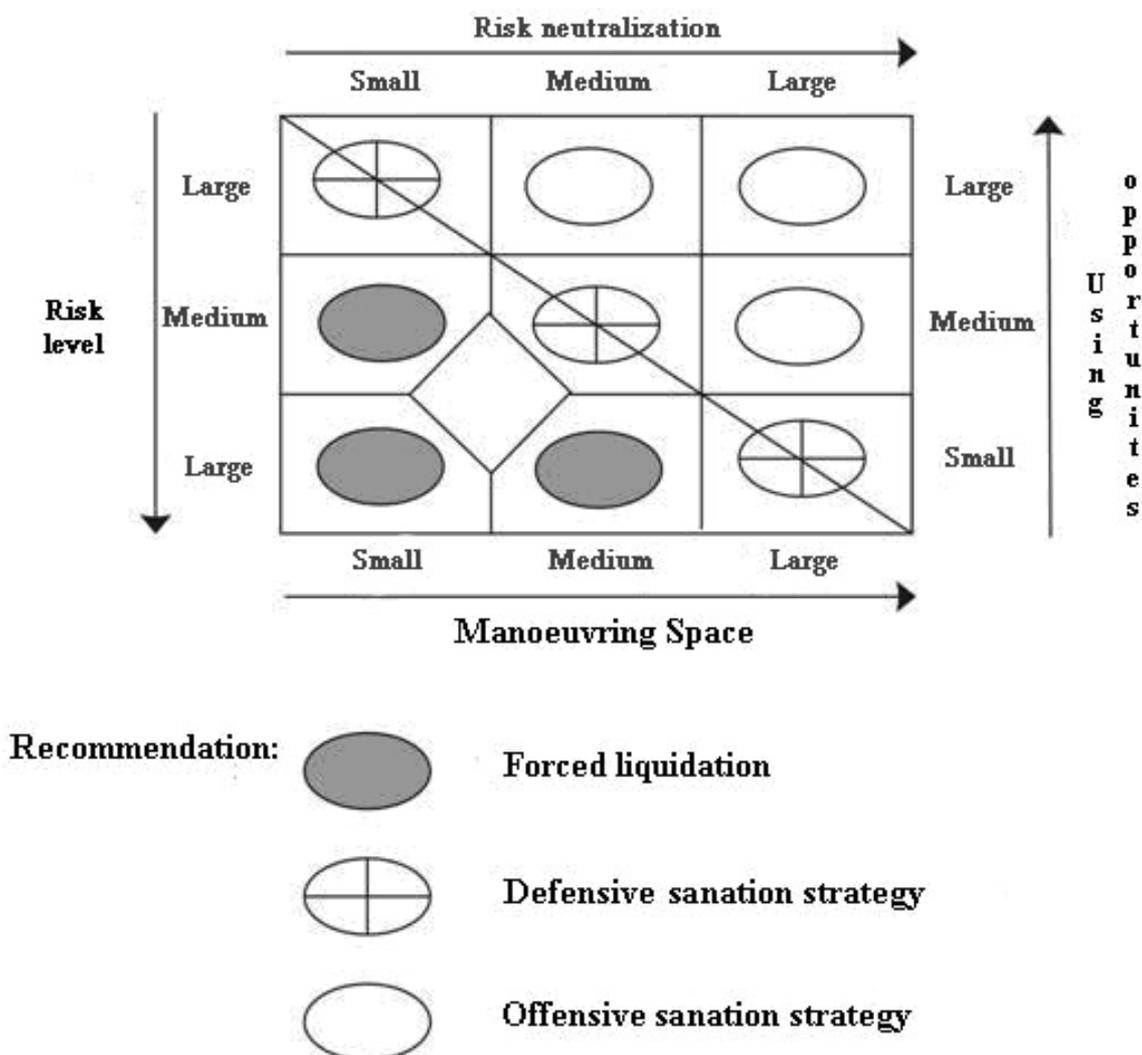


Figure 1. Portfolio matrix - Selecting a method of treating an enterprise for the production of public goods

enterprise's potentials, with special emphasis being put on the assessment of rehabilitation capabilities of internal factors, (4) Putting in place the urgent sanitation measures that would enable continuous production of public goods, and (5) detailed analysis and formulation of rehabilitation strategy [3].

Since this is a one-off process where some actions are time-limited and since there is a need to maintain continuity in the production

process, the rehabilitation should be done as a project. It is obvious that the preparation, coordination and the follow-up of the sanitation process represents one of the most difficult managerial tasks. Because of the significant public interest connected to the sanitation process of producing public goods, this process should be submitted to a preventive control in order to identify situations in which some aims could not be

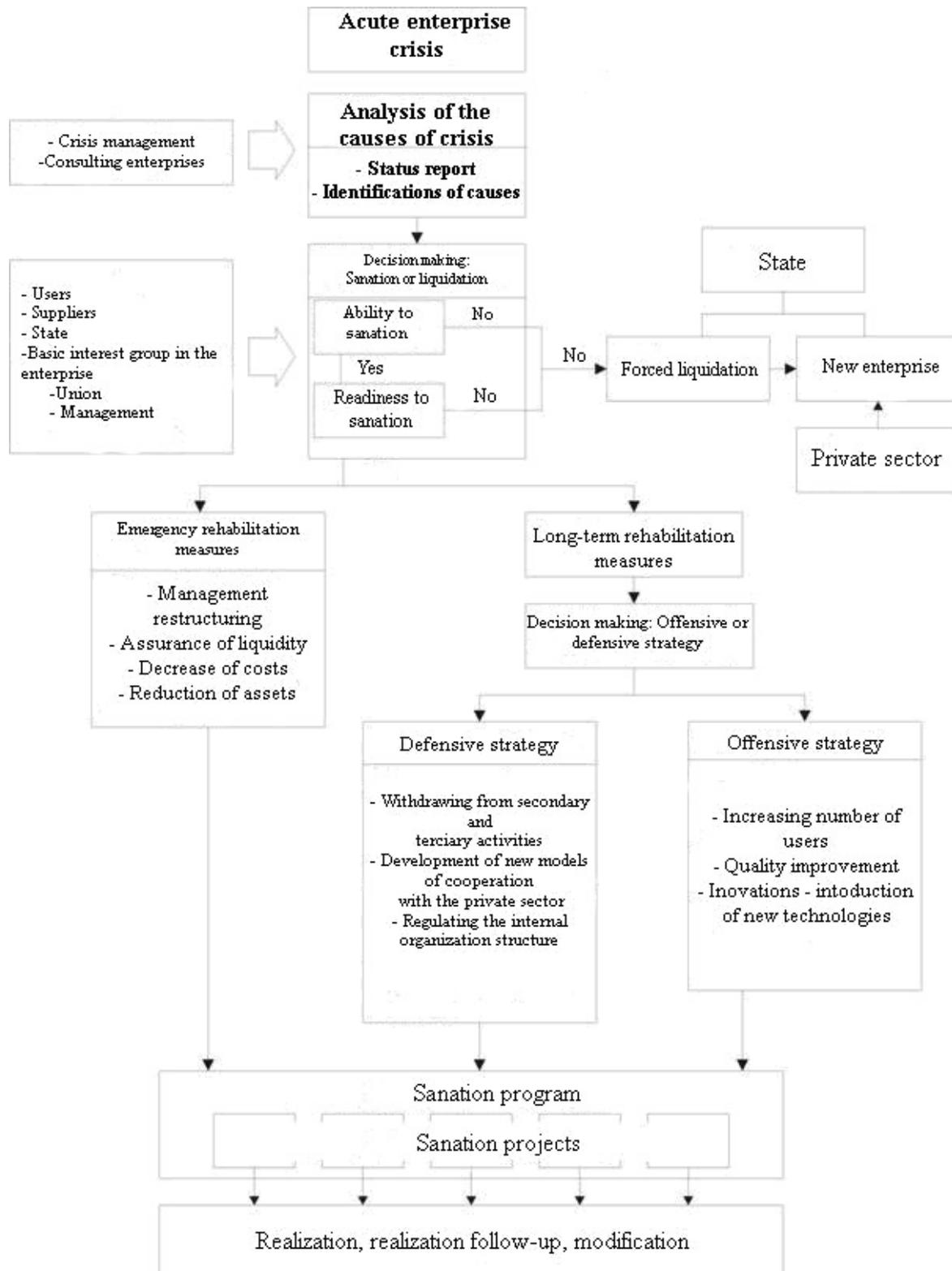


Figure 2. Algorithm for sanation of enterprise for the production of the public goods

accomplished and to observe halts. If this is the case then a back-up project is activated - a forced liquidation of the existing enterprise and founding of a new enterprise for the production of public goods.

### **3. THE ROLE OF STRATEGIC PLANNING AND MANAGING IN SANATION OF THE CRISIS OF ENTERPRISES FOR THE PRODUCTION OF PUBLIC GOODS**

Before analyzing the role of strategic planning and managing in the process of sanation the enterprises for the production of public goods, it is essential to accurately determine the role of planning in their business activities. The existing planning systems in these enterprises are mostly based on annual plans concentrated on financial aspects, especially on the public assets needed for financing current operations and investments. This approach is a reflection of the existing concept in which enterprises for the production of public goods are perceived as public services [2, 9, 11]. This concept of planning represents one of the main reasons why the enterprise for the production of public goods is experiencing development crises. To overcome this situation it is imperative to adopt new concepts of business planning in these enterprises. Namely, way back in the 1980s, the market economies influenced by dynamic and radical changes in their surroundings abandoned the standard concept of business planning. This standard concept was based on the time division into: operative (monthly and quarterly), short-term (one year), mid-term (three to five years) and long-term (five to fifteen years, depending on the life cycle of the investment in question). This concept was replaced by a

new one which was based on the projected size of a specific business venture and on the assessment of consequences of business decisions. In accordance with this new concept of business planning, new terms have been introduced: business foresight, financial planning, annual planning, long-term planning and strategic planning. The key feature of this system is that some types of business plans are formulated and realized autonomously on various organization levels and that they are based on future prospects. Actual plans are mostly being made on project principles and their mutual interlacing and conflicts are used to create alternative solutions when making business decisions. In the case of the production of the public goods, strategic planning and managing techniques attract special attention [10]. The term itself implies the decision making process regarding the selection of business operations that will be performed or abandoned, and the way in which the resources will be distributed among the old and new business activities. The basic aim of such an activity is to form new enterprise organization that will have: (1) healthy financial structure, (2) qualified and dynamic management, (3) suitable fixed assets and staff, (4) flexible organizational structure and (5) efficient system for individual motivation which cumulatively provides conditions for technically and economically efficient production of high quality goods that could be marketed to selected segments of global market, where open and severe competitive rules apply, that is, a flexibility which enables prompt reaction of companies when receiving various signals from the environment.

Enterprises for the production of the public goods are qualified with some specific features such as precisely determined basic

production program and the distribution in a specific part of a market segment [2, 8, 9, 11]. Therefore, it is necessary to implement some restrictions in the practical application of strategic planning and managing. These restrictions are based on the key premise - the development (of enterprise for the production of public goods - note of the authors) must be based on the principles of reduction, which means concentrating on the basic activity and finding socially and economically most rational combination for the cooperation of public and private factors in the input provision chain, the production and distribution (of public goods - note of the authors).

The following should be done when implementing the techniques of strategic planning and managing in order to sanation of enterprises for the production of the public goods:

1. A matrix organization should be introduced, which is based on the use of functional (managing, development, business activities and production, logistics, personnel) and economic (profit centers, cost centers) principles in the organization of internal business activities [3]. The enterprises functioning locally should find the best way to utilize those units which operate on the incurred cost principles for the wider range of enterprise for the production of the public goods;

2. Technical improvements of the existing technologies and processes aimed at the improvement of the quality of public goods and the rationalization of resource spending - work, raw materials and energy;

3. Implementation of a system for operative and financial planning in real time in order to reduce the production cycle and the distribution of public goods and costs of financing;

4. Development of the system for process and public goods quality insurance;

5. Development of a motivation system whose function is to cut down costs, improve the process and public goods quality;

6. Reduction of physical resources (premises, equipment and employment) on the basis of an overall analysis of the level of utilization of capacities and employees;

7. Withdrawal from secondary and tertiary business activities and their commercialization;

8. Ownership restructuring in accordance with the goals mentioned earlier: (a) developing corporate entrepreneurship as a primary generator of new business ideas and initiatives, (b) attracting fresh capital under most favorable conditions for the public finances and users, and (c) reducing public expenditure related to current operations.

Having in mind this definition of the structure of strategic planning and managing, when overcoming the crisis in enterprises for production of the public goods the main task of the crisis management is to adjust its so called soft (software) elements, such as:

1. Changes in the structures of power between the internal and external factors, with the emphasis on the creation of a precise, public and transparent framework for public regulation of enterprises conduct in the regime of a natural or administrative monopoly

2. Improvements in the regulatory circles and rules of conduct of the key business processes in the production and distribution of public goods.

3. Adjustment of general framework regulating the role and economic status of the employees.

4. Development of a enterprises culture (for enterprises for the production of the public goods) that would assure the quality

of employees' activities and behavior that would, in return, lead to more efficient caring for customers' needs or the needs of public goods and services users'.

With this structure of activities it is justified to use the term "reengineering" for the proposed configuration of strategic planning and managing used for overcoming the crisis of an enterprise for the production of the public goods [6]. In this case the term is used to indicate the unity of all activities aimed at determining goals of enterprise restructuring, whose purpose is to adjust it to the turbulent business environment and to explore and find the best ways for their realization (this is strategic planning and managing in its narrow technical sense) on the one hand, and the ways and processes for their practical realization (development policy!) on the other hand.

Before analyzing the role of reengineering in the structuring of goals and actions for overcoming the crisis in a enterprise, it is our opinion that its implementation should be considered on several levels.

The first, elementary and the lowest level is certainly the business reengineering. Its activities are located within the enterprise and they are oriented towards rationalization and redesigning of the public goods production and distribution process.

The second level is managerial reengineering which denotes the introduction of new approaches in managing processes of production and distribution of public goods.

The third level is the mental or educational reengineering. Its basic function is education and change of attitudes of all participants included in managing, controlling, production and distribution processes.

The fourth, highest level is the total reengineering which represents the synthesis

of all previous ones. It comprises of not only the reproduction unit within which supplying, production and distribution take place, but also of an institutional framework which secures its external management and control (in this case the political system and the management system, as well as social and economic policies for making it operative) [10].

#### **4. THE ROLE OF REENGINEERING IN SANATION OF THE ENTERPRISES FOR THE PRODUCTION OF THE PUBLIC GOODS**

When analyzing the role of reengineering in sanation of the enterprises for the production of the public goods we shall focus on determining two phenomena.

The first key phenomenon is the problem of determination of a vision for the production development and distribution of public goods [6]. By definition, the vision represents a starting point of every reengineering activity. In order to achieve a significant progress or to modernize and revitalize the production and distribution of particular public goods, there should be a vision on every level of reengineering organization. This vision should be in the form of a clear, precise and public list of wishes and goals in whose completion the majority is included to their maximum capacity [8].

Knowing this, it is easy to make a list of problems in the production of public goods that need to be solved.

At this point we shall list those problems that are relevant for the institutional framework in which its external management and control are provided (that is, in the framework of total reengineering): (1) How

to assure equilibrium in public finances and how to cut down the share of public expenditures in the domestic product? (2) How to proceed more efficiently with the revitalization process and with the modernization of infrastructure needed for the production and distribution of public goods? (3) How to continue and finish the privatization and ownership transformation process in the production and distribution of public goods sector? (4) How to improve management and make the public sector function more rationally? (5) How to attract private capital and the know-how? (6) How to obtain and use international help? (7) How to start a new development cycle necessary for the revitalization and modernization of production and distribution of public goods? These are only some of the burning issues. There is no relevant authority that deals with the hereto defined problem of creation of a (development) vision related to production and distribution of public goods. The existing political elite in power (as well as the opposition) made total confusion as to what should be done because it mixed up the strategy, tactics and every day activities in the public regulation of the production of public goods. The lack of (development) vision led to the situation in which many elements of reality in the production and distribution of public goods seem to be uncontrolled, not planned, wrong, and premature.

The second key phenomenon is the description of the manner in which reengineering protagonists are organized. The protagonists of the reengineering in the production and distribution of public goods will be divided into three elementary groups according to their function:

1. Managing committee - should define the contents of the reengineering strategy

and to provide supervision of its realization. The basic tasks of the Committee are: to determine actual processes of production and distribution of public goods that should be radically redesigned, to start initiative for their redesign and to provide the support for it.

2. Reengineering team - should consist of at least five and maximum ten people in charge for reengineering of a specific process of production and distribution of particular public goods. The crucial task of the team is to ascertain the meaning of the rule which manages the process in a desired manner. In order to avoid subjectivity in ascertaining the rules the output should be placed at the center of the process. This is done by determining concrete users and the levels of adequacy and quality of public goods or accompanying services that need to be provided. Levels of adequacy and quality are determined on the basis of best practices in other countries - attempts are made to create own operating standards based on those best practices, only that they should be adjusted to best suit the economic situation of the users. In any case, the process that is being redesigned should be observed "through the eyes" of the users of public goods. The team members should be selected using the criterion which states that on every two to three internal members (connected to the process being redesigned) there should be one external member whose primary task is to ensure objectivity and a different view on the process in question. The reengineering team is managing itself and should have high level of autonomy, whereas its work must be based on free communication, consensus and it should also encourage all innovations. The leader of the team should be the first among the equals, which is in fact the desired attitude that considers the politics to be the

servant of profession and knowledge, and not vice versa, as is the existing practice nowadays.

3. Reengineering manager - he coordinates the process of production and distribution of public goods which is being redesigned. The reengineering leader may, but does not necessarily has to be the reengineering manager of the process in question. In fact, the experience teaches us that the best choice for the role of reengineering manager should be given to natural leaderds who have proved themselves within the reengineering team by being capable of motivating others to make changes.

The reengineering strategy conceived in this manner, as well as the enterprises macro-economic and institutional environment explicitly rely on the benchmarking accomplishments.

## **5. BENCHMARKING AND SANATION OF THE ENTERPTISES FOR THE PRODUCTION OF THE PUBLIC GOODS**

The benchmarking is a technique used for: (1) detailed analysis of all characteristic forms of processes and their performance within an enterprise, (2) measuring the adequacy of process realization, (3) comparing the ways of process realization and their performance with the best enterprises (in the world), and if possible with enterprises from other sectors, and (4) improving processes and their performance to reach a level of the best enterprises (in the world) in the field, as well as enterprises from other sectors [1, 4, 5]. The primary task of benchmarking techniques employment is to learn from one's own, as well as from the

others' mistakes and experiences and thus establish an appropriate system of internal standards that would enable an enterprise to determine precisely how well (in fact) it operates and how big a gap is between it and other enterprises. In accordance with this, the benchmarking technique has the vital role in determining final goals of sanation of the enterprises for the production of the public goods and in measuring results between the phases. The basic methodological framework for the rehabilitation is presented on Figure. 3.

The presented methodology shows that modeling of actions that would help improve and overcome the crisis in enterprise for the production of the public goods is pointless, unless the following are implicitly defined: (1) standards for comparison, (2) cost assessment, and (3) the assessment of the time needed to achieve goals. Also, their joint dimensions should here be included, and those are: (4) the relation between the parts and the whole, (5) the quantification problem and measuring of costs of influences of certain factors based on their individual or joint action, and (6) assessment of risks related to the decision making regarding radical transformation of internal organization in conditions where macroeconomic and institutional environment are not clearly and precisely defined [1].

The authors therefore suggest that these techniques should be made operative by dividing activities into three groups that should be realized simultaneously.

The first one includes activities whose aim is to loosen up the enterprise's organization and leave its strict hierarchy which is characteristic for enterprise for the production of the public goods. The purpose is to create a flexible organizational structure

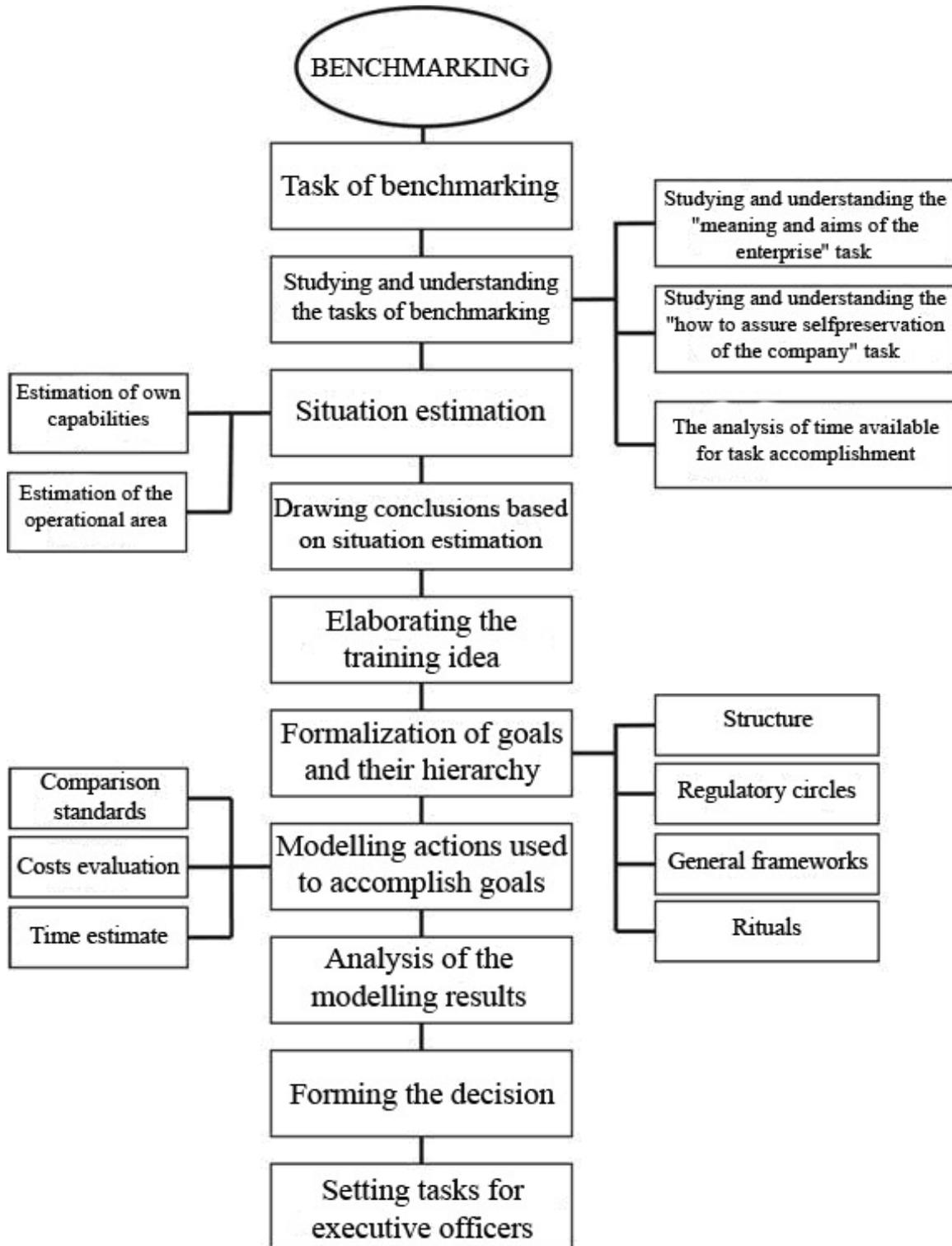


Figure 3. Methodological frameworks for the implementation of the benchmarking technique in the sanitation of the enterprise for the production of the public goods [1]

with working teams and power centers whose aim is to satisfy the needs of users of public goods, them being the primary participants in the organizational structure.

The second group of activities establishes a new model of work that would assure that the enterprise for the production of the public goods functions as a community that works together in order to provide high income levels solely by satisfying the users and not by pressuring or misusing public finances.

The third includes the formation of temporary (project) working teams whose task is to perform benchmarking in five basic groups that have to define, analyze and measure the following: (a) the structure of power allocation between the enterprise and the political system and the management system that publicly regulates its behavior, (b) the structure of power allocation inside the enterprise for the production of the public goods, (c) actual contents of regulatory circles and rules used to perform key processes of production and distribution of public goods, (d) general framework that determines the role and economic position of employees, and (e) specific elements of the culture of organization, which determine the quality of distinctive rituals that the employees have, so that based on the process of satisfying customer needs it would be possible to introduce improvements in a proper manner, as well as to determine the method and place they would be introduced. When the implementation of the benchmarking technique in the sanitation of the enterprises for production of the public goods is defined like this, the problem is that most internal and external participants consider the future to be impossible and unreachable! This leads us to the essence of a methodological determination of the term "crisis management", and that is its

definition in the sense of a so called "new public management" [7, 10].

In the sense used in this paper, the "new public management" designates a mix originated from the theoretical achievements of the constitutional economy and from using the theory and practice of management in the field of production and distribution of public goods [7, 11]. The basic implications of a contents of the "new public management" defined in this manner and in the domain of crisis management for the sanitation of the enterprises for the production of the public goods are: (1) the introduction of the principle of contractual management in the practice of managing the process of sanitation, (2) the use or simulation of market mechanisms in supplying public goods, (3) connecting the incomes used in managing and controlling the process of sanitation with the work results and work improvements in enterprises for the production of the public goods.

The basic provision for the application of the "new public management" concept in the sanitation of the enterprises for the production of the public goods is, above all, intelligent social thinking and acting that recognizes the most rational economic solutions for each social and economic phenomenon individually, solutions which would be acceptable to all interested parties [8, 10]. This depends on the willingness, knowledge and strength of the "human capital" that is involved in politics and in the public sector to accept the entrepreneurship and creativity as crucial elements for successful functioning. The basis for an intelligent public thinking and acting in this sphere is every partnership between the public and private sector. Without going into details we shall say that for the implementation of this technique the following should be provided:

(1) strong and permanently sustainable political support on the level the company is operating, (2) flexible laws, (3) direct support of the users of goods, who should help creating conditions for the financial sustainability of the project.

## 6. CONCLUSIONS

First, the domination of the political factor and the urgent over the important, as well as the attitude that the sanation is a set of financial measures that should ensure liquidity and minimal operational readiness based on a simplified relation between the enterprises for the production of the public goods - executive authority bodies - all of these have caused permanent negative effects from the aspect of their basic target function and their strategic orientation in the development of the primary activity. Abundant use of various forms of subventions in crisis rehabilitation and political voluntarism in the selection of managers has all stimulated enterprises for the production of the public goods to deal with themselves, and not with the users of public goods. There are consequences regarding the boost of public expenditures, fiscal pressure, visible and invisible public debt, cost inflation, growth disorientation (by inclusion of those activities that can be more efficiently organized among the competitors), and the bottom line is that there is a negative attitude towards the social, technological and economic changes in the surrounding.

Second, to triumph over a crisis in enterprise for the production of the public goods standard rehabilitation measures do not suffice. These measures consist of financial consolidation, liquidity

improvement and (sometimes) management restructuring. Even a complete privatization used as a means of solving the crisis in enterprise for the production of the public goods does not represent a solution due to underdeveloped market infrastructure and bad managerial skills of the public factor in organizing a transparent and efficient system of running an enterprise that operates in the regime of natural or administrative monopoly. Therefore, when including the private factor, one should start with the more flexible partnership forms between the private and public sectors and especially with withdrawing enterprise for the production of the public goods from all activities which could be organized by the competition.

Third, to increase the efficiency of enterprise for the production of the public goods, the following measures are necessary: (1) improving internal and external quality and management systems, (2) restructuring the internal organizational structure, (3) reduction of work force, (4) withdrawing from those activities that can be organized by the competition, and (5) creating the necessary capital basis for revitalization and modernization in order to rationalize business operations and elevate the profitability and quality of production and distribution of public goods to a socially acceptable level.

Fourth, to increase the work efficiency of enterprise for the production of the public goods, it is necessary to perform internal (inner) restructuring based on individual sanation programs that are made by respecting methods and concepts of the following techniques: (1) strategic planning and management, (2) team work, (3) reengineering, (4) benchmarking, on the one hand and the particulars of restructuring of

these companies operating in the societies and economies in transition, and which are reflected in the underdeveloped market infrastructure and the lack of adequate mechanisms of public regulation that would substitute market mechanisms, on the other. This gives a certain amount of subjectivity to the entire rehabilitation process.

Fifth, the primary task of the crisis management in the sanation of enterprises for the production of the public goods is to implement a program for the adjustment of its so-called soft elements (software) such as: (1) Shifts in the power structures between the internal and external factors, with emphasis on making a precise, public and transparent framework for public regulation of the conduct of enterprises running their business in the regime of natural or administrative monopoly, (2) improvements in regulatory circles and in the "rules of the game" related to performing key business processes in the production and distribution of public goods, (3) adjustments of general frameworks defining the role and economic position of employees, and (4) development of the culture of organization (for the production of public goods) ensuring the quality of contents of the characteristic rituals of employees' behaviour in the function of more efficient satisfaction of the needs of customers or users of public goods and services.

## References

1. S. Adžić, Benchmarking and Restructuring of Enterprise (Benčmarking i prestrukturiranje preduzeća), "Total Quality Management (Menadžment totalnim kvalitetom)" Yu ISSN 0354-9771 No 2, Vol 27, (1999), pp. 5-9, Yugoslav Union for Standards and Quality (Jugoslovensko udruženje za standardizaciju i kvalitet), Beograd, 1999.
2. S. Bailey, Public Sector Economics: Theory, Policy and Practice, Palgrave, 2002.
3. S. Beer, Diagnosing the System of Organizations, Chichester, 1985.
4. T. Bendell, L. Boulter and K. Gatford, The Benchmarking workout, Pitman Publishing, 1997.
5. R. C. Camp, Bussines Process Benchmarking, ACQS, 1995.
6. M. Hammer and I. Champy, Reengineering the Corporation, Harper Business, New York, 1993.
7. D. Osborn and E. Gaebler, Reinventing Government, 1992.
8. M. Shaub, European Regional Policy, Verlag Ruegger, 2000.
9. E. J. Stiglitz, Economics of the Public Sector (prevod na srpski jezik), Faculty of Economics (Ekonomski fakultet), Beograd, 2004.
10. Studija, Government of the Future, OECD/PUMA, 2000
11. D. I. Trothman - Dickenson, Economics of the Public Sector, Macmillan Press Ltd, 1996.