

Social Effects of an "Exit" of The Economic Crisis

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Abstract: The paper examines the essence of bankruptcy and social effects related to that process. The reason for choosing that topic is the application of that, not always lawful, but allowed by the law means for organizational transformation. The aim of the study is to analyze some of the features of bankruptcy. The main task is to answer the question whether this is an effective method for manipulating the situation in order to obtain benefit for the acquisition of assets, and in many cases entire enterprises, or it is just a delicate way to mitigate bankruptcy reached because of various reasons.

Keywords: crisis, bankruptcy, analysis

1. Introduction

For the last two centuries of the evolution of mankind, and in particular from the genesis of industrial society, in the economy of many countries crises have been conducted and continue to flow. In these moments as characteristic and developing trends in the economic life the following can be mentioned: critically increasing decline in production, dramatically increasing volume of unrealized goods on market, failures in price levels, wreck of systems of planning and finances, collapse of banks, bank systems and institutions, mass bankruptcies of industrial and commercial organizations, sharply increased levels of unemployment.

Specialized literature deals with the concept of the economic crisis in principle as a disturbance, i.e. creating a sufficient imbalance between supply and demand of goods and services¹. The evolution of human society is the best proof that crises accompany throughout its history by provoking its development and improvement. In the initial period at the very emergence crises essentially appear as a decline in agricultural production, but by the mid-19th century their mechanism is associated with an imbalance between industrial production and solvent demand.

Current study makes analyses of the interrelations between organizational development and financial function in terms of the economic crisis making

special accent on the example of the Republic of Bulgaria, its specific development in the years of transition to a market economy and modern crises considering relevant legislative regimes.

2. Organizational Development and Financial Function in The Context of The Economic Crisis

In 19th century and the first half of the 20th century the world passed through a series of international financial crises. Economic crises before are limited within the confines of one or two countries, but subsequently this trend has changed, scale increases and crises acquired an international character. Although in recent years scientific thought and certain leading business circles are working on the creation of anti-crisis models and programs justified by better regulated and economic processes, a relatively balanced global financial system and conducting continuous monitoring, the history of world upheaval proves that crises can not be foreseen and surrounded. For the last two centuries on the political and economic map of the world there were more than 20 crises².

The analysis of the crisis creates conditions to make a few brief conclusions outlining the status and trends, namely:

1. Each crisis is unique in itself.

¹ Stoyanov, E. 2015. Pressing problems in Bulgarian management control. 5th International Conference of Economic Sciences, 5th CCEDEP of the ACEU, May 7-8,

2015, Kaposvar, Hungary, ISBN 978-963-9821-86-6, 491-500.

² Stoyanov, E. Financial control, Libra scorp, Burgas, 2010.

2. Each crisis was triggered by the depletion of the capacity of the model of governance.
3. In terms of the set by a crisis deficit and of a model of thinking and behavior more sophisticated conceptual models are imposed.

Still, drastic changes have an impact on smaller organizational structures forming the national economic systems. Transformation processes register both in structural and functional terms. Because there is no organization that can not authenticate the realization of certain interests, of particularly importance is the change that occurs in the financial function of the modern organization.

It is perceived that the finance function is logically organized set of processes governed by technological justification that³: contribute to getting answers through financial analysis; manage income and expenditure; track changes in the financial availability; regulate the movement of cash flows; control the conditions of financing; perform financial analysis of projects and investments; form the budget and fiscal policy; register each transaction and distribute lawful earnings.

In a general plan in the structuring of the investment process in the absence of an effective financial function it is difficult to attract funds. The status of the financial function has a key role in the formation of interest from investors and building an impression of sustainable climate.

In terms of tax behavior it can be argued that the poorly organized document flow is an evidence of the broken financial function. This is reflected in the creation of a bad credit and social image and the imposition of financial sanctions.

In the process of managing growth and sustainable development without a personalization of responsibility and a strict control usually financial function decays or causes severe turbulence.

In the shared circumstances it is completely natural the financial function of the modern organization to reorganize. The change is process-oriented. Generally as a process we could accept the

sequence of actions or procedures which together ease the performance of a particular operation.

The construction and development of the organizational structure relevant to the ongoing core processes are implemented for various reasons, namely: processes and not functions determine the nature of the activity; processes seen in an organized aggregate supply conditions for the completion of operations; improvement of the processes over time is not as sweeping changes in the structure of other resources; underlying processes continue to be implemented even after the termination of activities of key managers; the whole working staff feel constraints arising from the lack of optimality in one process or more.

In this direction, the financial process rather than function is right to be involved with the creation of a product or service at optimal adequacy of trends and recorded signals. It is natural to revise all the necessary processes and reorganize in any restructuring of financial services. The processes appear as a factor in development of organizational efficiency, a regulator in the allocation of responsibility and a balancing mechanism for conflict of interest.

Although the process-oriented approach to the analysis of organizational development is important, versatile and very widespread, changes in economic realities require another type of mechanism for organizational development. The focus of organizational optimization shifts from the underlying processes to the stated strategy. The establishment of the new strategically oriented organization is premised on two features. On the one hand, financial measuring can not form a complete picture of the organizational situation and potential, and on the other - intangible factors of organizational success acquire criterial matter⁴.

The discussion on the financial function of the modern organization proves that the mechanism that generated financial results for the old, classical organization is completely reorganized and its update turns the modern enterprise in an attractive object with a different and higher value. This is what causes the heterogeneous interest to modern enterprises especially in crisis situations.

³ Stoyanov, E. 2012. Updating financial functions of the modern organization. Jubilee international scientific conference of the University of Economics – Varna, Bugaria.

⁴ Simeonov, O. Theoretic questions in control, Academ Consult, Sofia, 1997.

An understanding is approved that the effective management of the modern organization largely depends on timely and comprehensive analysis of financial condition and results of correct judgments and correct decisions⁵. Conducting ongoing monitoring and formation of conclusions create conditions for timely warning in critical situations. Finding a real alternative out of these conditions is predetermined by previously holding various forms of control early diagnosis (descriptive, predictive, legal, etc.).

The problem standing over management in critical situations, howsoever arising, is the opportunity of bankruptcy. The term increasingly is used in the vocabulary of modern business because the years of past economic crises and almost the entire period of the transition in post-socialist economies are marked by high uncertainty and display of multiple risks. Analysts and experts argue that bankruptcy in recent years can not be interpreted unambiguously - only as a result of "weak" management⁶. According normative basis it is defined as a legally regulated inability of a person to service its loan commitments and in this context it can be charged or brought by the bankrupt person or by a credit institution in order to indemnify due⁷.

The interpretation of this concept causes some clarifications. Regarding its mechanism, the analysts generally distinguish several formal expression of bankruptcy⁸.

Unintentional bankruptcy is interpreted as a result of the emergence of a crisis situation for the enterprise threatening its viability. The crisis state is formed by the development of such factors as higher financial instability, a dramatic decline in competitive position and an occurrence of high levels of risk of bankruptcy. As its varieties we could mention: bankruptcy caused by force majeure (disaster) and the actual bankruptcy arising as a result of long-term insolvency.

The other main variant is the intentional bankruptcy resulting from the deliberate insolvency. Losses of this kind of appearances affect lenders, guarantors, investors and others⁹. The main problem is proving fault. This problem is exacerbated because usually a large part of the document flow by such enterprises is manipulated or destroyed, and the property – a subject of concealment or transferred prior to the bankruptcy.

It is interesting to note that along with the development of the global economic system new formal appearances of bankruptcy develop and refine, i.e. bankruptcy becomes a smart weapon for financial machinations. Recurrence of a similar nature increase their volume and they are increasingly noticeable in the period of the transition in post-socialist countries.

In this context, as a form of the "negligent" bankruptcy comes the famous "technical" bankruptcy. This particular condition occurs when the amount of assets significantly exceed that of liabilities, i.e. there is a temporary excess of debtors' indebtedness. Professionals and experts in financial security opined that very rapidly after administration of this "trick" a real bankruptcy is declared¹⁰.

Far more interesting are things with fictitious bankruptcy. The mechanism of this crime is associated with false bankruptcy by the perpetrator, which is being implemented with the aim of causing damage or extracting benefit, and the victims are among shareholders, lenders, guarantors and others.

Too revealing and interesting is the fact that with the advent of the custom bankruptcy a new kind of specific business creates. Certain "players" acquire or resell both working enterprises and those having temporary financial difficulties. The techniques applied to reach a similar bankruptcy fit unlawful

⁵ Terziev, V., Dimitrova, S., Arabska, E., Vasileva, E. 2014. Good practices of highly effective managers in human resources management. Scientific conference "Qualification system and career development of university teachers", Vasil Levski National military university, 11-12 December 2014, Veliko Tarnovo, 49-75.

⁶ Stoyanov, E. 2015. Management effect in organizational design. *New knowledge Journal of science*, Vol. 3, No 4, 21-27.

⁷ Trade law of the Republic of Bulgaria.

⁸ Stoyanov, E. Financial control, Libra scorp, Burgas, 2010.

⁹ In some cases these actions are interpreted as crimes against creditors according to the Bulgarian Criminal Code.

¹⁰ Stoyanov, E. 2012. Updating financial functions of the modern organization. Jubilee international scientific conference of the University of Economics – Varna, Bugaria.

and illegal actions that can generally be tied to the category of "machinations".

If there are victims, if there is blame it is not so significant, but it is certain that bankruptcy puts a lot of questions that seek answers and justify on its own legal decision. Their number and scope is growing with every diagnosed case once the problems are focused on the border of insolvency or over-indebtedness, to the limits of insolvency and alternatives of recovery, for evaluation of the property and for the proper and equitable distribution thereof.

It can be objectively argued that bankruptcy is developed and established as a way to cheaply acquire liquid assets, a means of diverting serviced debts, a refined manner for personal gain due to damages, a dishonest but a working mechanism for restructuring the economy and certainly a crude and profitable business.

In an attempt to protect the integrity of the economic system, and in particular individual economic operators and managers, consultants and analysts using various forms of analysis apply different diagnostic structures¹¹. Moving from diagnosis to express multicriteria analyses structuring the system of the fundamental diagnosis of bankruptcy, business and scientific thought create the prevention of the diversion that could provoke catastrophic consequences for any organization. For completeness and maximum efficiency in the operation of this system are increasingly used the eclecticism¹² consolidating the capabilities of a number of models.

3. Conclusion

The critical situations in which modern organizations improve their financial functions are increasingly able to create conditions for bankruptcy, but actually this is not a way out of a crisis. In most cases this is only an opportunity to deepen analytical thinking and decision-makers to pay attention to even the weak signals that sometimes mean enough.

¹¹ Stoyanov, E. Financial control, Libra scorp, Burgas, 2010.

¹² Zahariev, E., Arabska, E. 2014. Eclectic concepts for distribution and popularization of good management practices. VII International scientific conference "Innovations in technology and education", March 2014. Ministry of Education and Science, Federal State budget

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