Professional paper

THE CHALLENGES OF COST CONTROL DURING THE COVID-19 PANDEMIC ON THE EXAMPLE OF THE COMPANY PRO KOLEKT d.o.o.

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Abstract
The aim of the thesis Challenges of cost management during the COVID-19 pandemic on the example of the company Pro kolekt d.o.o. is to present an analysis of the report, focusing on cost management in the observed time period in 2019 and 2020. The analysis is focused on the current crisis caused by the virus pandemic that greatly affected the company's operations and sought rapid adjustment of cost management to keep the company going in the new crisis. The subject of the thesis is to present the application of cost management theory in a crisis situation. The paper provides a detailed insight into the importance of timely response of managers in a crisis situation in which the company finds itself in order to preserve its business and survive in the market in the new conditions.
In the first part, a theoretical framework for managing the operating costs of a modern company in the financial industry is set. Afterwards, crisis cost management is presented, with a look at the current crisis caused by the pandemic. In the last part, the analysis refers to the financial sustainability of the company's operations in the observed period, with proposals and other options for setting strategic plans and goals of the company in the future.
The main goals of the thesis are:
• to analyze available data on the development and changes during the virus pandemic
• to collect and analyze available secondary data indicating changes in cost management
• to explore the opinions of the company's managers on the success of the adjustment and the future of the company.
In preparing this paper, secondary data collected from the professional literature will be used in order to lay the foundations for the analysis of cost management in the real sector during a pandemic. Secondary data will be processed by methods of analysis, comparison and synthesis.

Keywords: Pro collection, cost management, crisis, pandemic, covid-19

JEL Classification: F01, Z32

1. COMPANY COST MANAGEMENT

1.1. Balance sheet analysis

The financial statements are divided into basic and additional statements. Baseline reports are standardized reports that present the fair and true financial condition of an

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enterprise. They are the foundation serving as a source from which information is created, with which management then makes strategic decisions to effectively manage the company and to meet the set goals. The division of the basic financial statements is on the balance sheet, showing the balance of the company on a certain day and the profit and loss account shows the statement of comprehensive assets. The statement of cash flows showing their movement and the statement of changes in equity and notes accompanying the financial statements detailing each item in all 4 statements, further explain the amounts and application of accounting policies and standards. The values from the report can be analyzed and put in the proportions at which analytical methods and calculations are performed. The most commonly used methods are fundamental analysis, which includes a wide range of internal and external factors, financial indicators analysis, in which economic values are put in proportion and provide new, usable information, and vertical and horizontal analysis, which can compare years with previous.[2]

Table 1. Source: Data from the annual financial statements of Pro kolekt d.o.o.

	2019.	2020.	% change 20./19.
Receivables for subscribed but unpaid capital	0	0	n.s.
Fixed assets	26.871	26.022	-3
Intangible assets	0	0	n.s.
Tangible assets	5.749	10.185	77
Land	0	0	n.s.
Buildings	0	0	n.s.
Plant and equipment	5.749	10.185	77
Other tangible assets	0	0	n.s.
Financial assets	21.122	15.837	-25
Shares, stocks and other securities (long-term)	7.443	7.537	1
Loans, deposits, etc. (long-term)	13.679	8.300	-39
Other non-current financial assets	0	0	n.s.
Receivables	0	0	n.s.
Deferred tax assets	0	0	n.s.
Current assets	26.980.494	26.764.650	-1
Supplies	0	0	n.s.
Raw and materials	0	0	n.s.
Production in progress	0	0	n.s.
Finished goods and merchandise	0	0	n.s.
Other supplies	0	0	n.s.
Receivables	26.531.919	26.183.978	-1
Trade receivables	1.559.609	938.346	-40
Other claims	24.972.310	25.245.632	1
Financial assets	0	0	n.s.
Shares, stocks and other securities (current)	0	0	n.s.
Loans, deposits, etc. (short-term)	0	0	n.s.
Other current financial assets	0	0	n.s.
Money	448.575	580.672	29
Deferred expenses paid and accrued income	84.287	81.298	-4
Total assets	27.091.652	26.871.970	-1

[2] Groppelli, A. A. & Nikbakht, E. (2000). Finance, 4th ed. New York: Barron's Educational Series, Inc. str. 433

	2019.	2020.	% change 20./19.
Capital and reserves	1.361.390	1.287.372	-5
Share capital	173.000	173.000	0
Capital reserves	0	0	n.s.
Profit reserves, revaluation reserves and fair value reserves	0	0	n.s.
Retained earnings / losses carried forward	308.491	350.568	14
Profit / loss for the business year	879.899	763.804	-13
Minority (non-controlling) interest	0	0	n.s.
Reservations	0	0	n.s.
Long term obligations	0	0	n.s.
Interest-bearing (financial) liabilities (long-term)	0	0	n.s.
Trade payables (long-term)	0	0	n.s.
Other long-term liabilities	0	0	n.s.
Short-term liabilities	25.692.532	25.543.002	-1
Interest-bearing (financial) liabilities (short-term)	0	0	n.s.
Trade payables (short-term)	334.343	206.946	-38
Obligations to employees	53.440	60.032	12
Other current liabilities	25.304.749	25.276.024	0
Deferred payment of expenses and income of the future period	37.730	41.596	10
Total liabilities	27.091.652	26.871.970	-1

In comparison with the balance sheets from 2019 and 2020, the largest declines are visible in the categories of financial assets, where the decrease in 2020 compared to 2019 is 25%. Loans granted in 2020 were reduced by 39%. Also, the largest decrease is in trade receivables by 40%. In short-term trade payables, a significant decline of 38% is visible.

1.1.1. Horizontal balance sheet analysis

Comparative financial statements are the basis for horizontal analysis in the context of comparison. Horizontal analysis shows the direction of movement and the dynamics of movement of positions within the basic financial statements. Based on the changes, different conclusions can be reached about the business success and sustainability of the company. On the other hand, there are structured reports that are the basis for vertical analysis. Vertical analysis provides insight into the very structure of the report.[3]

[3] Žager, K. et al. (2017) Analiza financijskih izvještaja: načela, postupci, slučajevi. Zagreb: Hrvatska zajednica računovođa i financijskih djelatnika, str. 274.

Table 2. Source: Data from the annual financial statements of Pro kolekt d.o.o.

	2019.	2020.	Amount of change	% change 20./19.
Receivables for subscribed but unpaid capital	0	0	0	n.s.
Fixed assets	26.871	26.022	-849	-3
Intangible assets	0	0	0	n.s.
Tangible assets	5.749	10.185	4436	77
Land	0	0	0	n.s.
Buildings	0	0	0	n.s.
Plant and equipment	5.749	10.185	4436	77
Other tangible assets	0	0	0	n.s.
Financial assets	21.122	15.837	-5285	-25
Shares, stocks and other securities (long-term)	7.443	7.537	94	1
Loans, deposits, etc. (long-term)	13.679	8.300	-5379	-39
Other non-current financial assets	0	0	0	n.s.
Receivables	0	0	0	n.s.
Deferred tax assets	0	0	0	n.s.
Current assets	26.980.494	26.764.650	-215844	-1
Supplies	0	0	0	n.s.
Raw and materials	0	0	0	n.s.
Production in progress	0	0	0	n.s.
Finished goods and merchandise	0	0	0	n.s.
Other supplies	0	0	0	n.s.
Receivables	26.531.919	26.183.978	-347941	-1
Trade receivables	1.559.609	938.346	-621263	-40
Other claims	24.972.310	25.245.632	273322	1
Financial assets	0	0	0	n.s.
Shares, stocks and other securities (current)	0	0	0	n.s.
Loans, deposits, etc. (short-term)	0	0	0	n.s.
Other current financial assets	0	0	0	n.s.
Money	448.575	580.672	132097	29
Deferred expenses paid and accrued income	84.287	81.298	-2989	-4
Total assets	27.091.652	26.871.970	-219682	-1
Capital and reserves	1.361.390	1.287.372	-74018	-5
Share capital	173.000	173.000	0	0
Capital reserves	0	0	0	n.s.
Profit reserves, revaluation reserves and fair value reserves	0	0	0	n.s.
Retained earnings / losses carried forward	308.491	350.568	42077	14
Profit / loss for the business year	879.899	763.804	-116095	-13
Minority (non-controlling) interest	0	0	0	n.s.
Reservations	0	0	0	n.s.
Long term obligations	0	0	0	n.s.
Interest-bearing (financial) liabilities (long-term)	0	0	0	n.s.
Trade payables (long-term)	0	0	0	n.s.
Other long-term liabilities	0	0	0	n.s.
Short-term liabilities	25.692.532	25.543.002	-149530	-1
Interest-bearing (financial) liabilities (short-term)	0	0	0	n.s.
Trade payables (short-term)	334.343	206.946	-127397	-38
Obligations to employees	53.440	60.032	6592	12
Other current liabilities	25.304.749	25.276.024	-28725	0
Deferred payment of expenses and income of the future period	37.730	41.596	3866	10
Total liabilities	27.091.652	26.871.970	-219682	-1

Through the observed two business years, ie 2019 and 2020, the realized profit at the end of both business years is visible. There is a visible decrease in operating revenues but also a decrease in operating expenses, where the year with a successful profit was successfully completed despite the reduction in business volume caused by the COVID-

19 virus pandemic. Significant changes are visible in the reduction of financial assets, the growth of total receivables and the reduction of short-term liabilities in 2020. Also visible is a decrease in liabilities to suppliers by 38%, and money in the bank and the treasury increased in the crisis year by 29%. Tangible assets also increased by 77%.

1.1.2. Vertical balance sheet analysis of Pro kolekt d.o.o.

We performed the data analysis based on the values from the annual reports. Vertical analysis compares the financial data of a business entity within one year. Vertical analysis shows the share of all items in the report in relation to the total with the aim of providing better insight into the structure of the financial statement. The analysis can be applied for several years in a row, allowing the items of the report to be compared over time.[4]

Table 3. Source: authors' work according to the data from the annual financial statements of Pro kolekt d.o.o.

Position	2019.	2020.
FIXED ASSETS	0,10%	0,10%
1. Intangible assets	0,00%	0,00%
2. Tangible assets	0,02%	0,04%
3. Long-term financial assets	0,08%	0,06%
4. Receivables	0,00%	0,00%
CURRENT ASSETS	99,59%	99,60%
1. Inventories	0,00%	0,00%
2. Receivables	97,93%	97,44%
3. Short-term financial assets	0,00%	0,00%
4. Money in the bank and register	1,66%	2,16%
Paid expenses of the future period	0,20%	0,30%
Total assets	100%	100%

The company's assets primarily consist of current assets on the receivables account. From 2019 to 2020, it ranged from 97.93% to 97.44%, then 1.66% from the money in the bank with a growth in 2020 to 2.16%, with the paid expenses of the future period and income calculations ranging between 0.20% to 0.30%. Throughout all observed periods, the largest share of fixed assets relates to financial assets in the amount of 0.8%; this share in the decline during the observed period fell to 0.6%. Given the activity of the company, it did not have a larger share in other parts of the assets. Current assets are at a fairly stable level, and there has been minimal change from the level of 99.59% to 99.60%. Within current assets, receivables occupy a significant level, which is not unusual for a company's business.

The capital and liabilities of the company in 2019 consist of short-term liabilities in the amount of 94.84%, capital and reserves take up 5.03% and deferred payments of

[4] Žager, L. et al. (2008) Analiza financijskih izvještaja. Masmedia, Zagreb

expenses and income for the future period are 0.14%. It should be noted that short-term liabilities cannot be financed with short-term assets, which is why there are also long-term liabilities. The level of capital and reserves decreased and amounted to 4.79% in 2020, while the share of short-term liabilities increased and amounted to 95.05% in the same year. It is that the tangible fixed assets were financed by long-term liabilities, which led to an increase.

The liabilities of the company's balance sheet mostly contain short-term liabilities, from which we can conclude that the company Pro kolekt finances operating costs from short-term borrowing.

By horizontal analysis of the comparative balance sheet, we conclude that in 2020 the company reduced its total assets by 0.99%, most of which relates to receivables.

In 2020, the company generated HRK 42,077.00 higher retained earnings with lower profits than in 2019, when it amounted to HRK 308,491.00. In 2020 it amounted to HRK 350,568.00, which is an increase of 13.7%.

1.2. Company profit and loss account analysis

Table 4. Source: Data from the annual financial statements of Pro kolekt d.o.o.

	2019.	2020.	% change 20./19.
Operating income	5.601.756	4.574.731	-18
Sales revenue with entrepreneurs within the group	370.614	333.817	-10
Sales revenue (outside the group)	5.160.761	3.995.718	-23
Other operating income	70.381	245.196	248
Operating expenses (excluding depreciation)	4.494.590	3.711.832	-17
Operating expenses	4.494.590	3.711.832	-17
Increase / decrease in inventories	0	0	n.s.
Material costs and costs of goods sold	3.056.557	2.364.105	-23
Staff costs (gross)	1.111.822	1.101.024	-1
Value adjustments and provisions	0	0	n.s.
Other costs and expenses	326.211	246.703	-24
Earnings before interest, taxes, depreciation and amortization (EBIT	1.107.166	862.899	-22
Amortization	16.074	8.496	-47
Earnings before interest and taxes (EBIT)	1.091.092	854.403	-22
Net result of financial activities	-7.749	1.805	123
Financial revenue	2.381	8.935	275
Financial expenses	10.130	7.130	-30
Net share in the result of companies associated with a participating	0	0	n.s.
Share of profits from companies associated with a participating inte	0	0	n.s.
Share of loss from participating interest companies	0	0	n.s.
Net share in the result of joint ventures	0	0	n.s.
Share of profits from joint ventures	0	0	n.s.
Share of loss from joint ventures	0	0	n.s.
Total income	5.604.137	4.583.666	-18
Total expenditures	4.520.794	3.727.458	-18
Profit / loss before taxes	1.083.343	856.208	-21
Profit tax	203.444	92.404	-55
Net profit / loss	879.899	763.804	-13
Profit / loss from discontinued operations before tax	0	0	n.s.
Income tax for discontinued business	0	0	n.s.
Net profit / loss from discontinued operations	0	0	n.s.

From the income statement, which is the basic financial report, we can see data on income, expenses, profit, tax and profit of the business year and compare those sizes with the previous year. [5]Total income in the income statement includes operating income, financial income and other operating income. Total expenses include operating expenses from sales, financial expenses and other operating expenses. Their difference gives us the amount of profit before tax, from which we calculate the amount of income tax that the company must pay and at the very end, we can calculate the net profit of the business year.

Compared to the previous year, the company ended 2019 with a profit of 5,604,137.00 KN. In 2020, the year ended with a profit of 4,582,666.00 KN, which is a decrease in total revenues in the amount of 1,020,471.00 KN. The decline in total revenues was 18%, and at the same time there was a symmetrical decline in total expenditures. In 2019, the total expenses of the company amounted to 4,520,794.00 KN, while 2020 ended with total expenses of 3,727,458.00 KN, which is also a decrease of 18%. Sales revenues in 2020 fell by 18%, and they make up the majority of the company's total revenues.

Net profit in 2019 is 879,899.00 KN, while the crisis year 2020 ended with a profit of 763,804.00 KN, which is a total decrease of 13% in the category of net profit of the company.

1.2.1. Horizontal analysis of RDG of Pro kolekt d.o.o.

The analysis of the report carries out the process of various calculations and techniques by which the data are converted into usable information when making decisions for the management of the company. The analysis examines the financial condition and results of the company based on accounting documents and reports.

Horizontal analysis provides information that is used to make important decisions for the sustainability and business continuity of a company. A comparative financial report is a basic report that enables a horizontal analysis in which the comparison procedure is performed. Horizontal analysis is used to confirm the movement and dynamics of positions within the financial statement by comparing the year with the previous year and selecting the base year with which all other years are compared. Horizontal analysis shows absolute shifts in the position of the financial statement year in relation to the previous year's financial report.

[5] Žager, L. et al. (2008) Analiza financijskih izvještaja. Masmedia, Zagreb

Table 5. Source: Data from the annual financial statements of Pro kolekt d.o.o.

	2019.	2020.	Change amount	% change 20./19.
Operating income	5.601.756	4.574.731	-1.027.025	-18
Sales revenue with entrepreneurs within the group	370.614	333.817	-36.797	-10
Sales revenue (outside the group)	5.160.761	3.995.718	-1.165.043	-23
Other operating income	70.381	245.196	174.815	248
Operating expenses (excluding depreciation)	4.494.590	3.711.832	-782.758	-17
Operating expenses	4.494.590	3.711.832	-782.758	-17
Increase / decrease in inventories	0	0	0	n.s.
Material costs and costs of goods sold	3.056.557	2.364.105	-692.452	-23
Staff costs (gross)	1.111.822	1.101.024	-10.798	-1
Value adjustments and provisions	0	0	0	n.s.
Other costs and expenses	326.211	246.703	-79.508	-24
Earnings before interest, taxes, depreciation and amortization (EBIT	1.107.166	862.899	-244.267	-22
Amortization	16.074	8.496	-7.578	-47
Earnings before interest and taxes (EBIT)	1.091.092	854.403	-236.689	-22
Net result of financial activities	-7.749	1.805	9.554	123
Financial revenue	2.381	8.935	6.554	275
Financial expenses	10.130	7.130	-3.000	-30
Net share in the result of companies associated with a participating	0	0	0	n.s.
Share of profits from companies associated with a participating int	0	0	0	n.s.
Share of loss from participating interest companies	0	0	0	n.s.
Net share in the result of joint ventures	0	0	0	n.s.
Share of profits from joint ventures	0	0	0	n.s.
Share of loss from joint ventures	0	0	0	n.s.
Total income	5.604.137	4.583.666	-1.020.471	-18
Total expenditures	4.520.794	3.727.458	-793.336	-18
Profit / loss before taxes	1.083.343	856.208	-227.135	-21
Profit tax	203.444	92.404	-111.040	-55
Net profit / loss	879.899	763.804	-116.095	-13
Profit / loss from discontinued operations before tax	0	0	0	n.s.
Income tax for discontinued business	0	0	0	n.s.
Net profit / loss from discontinued operations	0	0	0	n.s.

A comparative analysis of the profit and loss account shows that through 2020 and 2019, the company generates lower revenues and, in parallel, costs. The decrease in the volume of business was caused by the departure of the client at the beginning of the year and the impact of the COVID-19 virus, which was mostly reflected in the reduction of operating costs, mostly the cost of raw materials.

1.2.2. Vertical analysis of profit and loss account of Pro kolekt d.o.o.

Table 6. Source: authors' work according to the data from the annual financial statements of Pro kolekt d.o.o.

Position	2019.	2020.
Operating income	99,96%	99,81%
Sales revenue	98,70%	94,46%
Other operating income	1,26%	5,35%
Financial revenue	0,04%	0,19%
Total income	100%	100%
Position	**2019.**	**2020.**
Operating expenses	99,42%	99,58%
Material costs	67,61%	63,42%
Staff costs	24,59%	29,54%
Amortization	0,36%	0,23%
Other costs	7,22%	6,62%
Financial expenses	0,22%	0,19%

The income statement is a report that shows the performance of the company over the observed period. The report contains a presentation of all revenues and expenditures, as well as the achieved result at the end of the time period. The profit and loss account is used as a basis for analyzing the economy and profitability of the company.

In 2020, there is a visible decline in revenues compared to the revenues from 2019. Total revenues consist of operating revenues, sales revenues, other operating revenues and financial revenues. The largest decline is in sales revenue, where it fell from 98.70% in 2019 to 94.46% in 2020.

The largest decline in expenditures occurred in the area of material costs in the amount of 4.19%. Expenses consist of operating expenses, financial and other operating expenses. The largest increase in expenditures is in the area of staff costs and operating expenses.

Total revenues in 2019 amounted to HRK 5,604,137.00, 80.67% of which went to expenses, while the company had 19.33% of total revenues, ie HRK 1,083,343.00, as profit before tax.

In 2020, total revenues amounted to HRK 4,583,666.00, of which 81.32% went to cover expenses. The company's profit before tax at the end of 2020 amounted to 18.68%, ie in absolute terms HRK 856,208.00.

When analyzing the profit and loss account of the company Pro kolekt d.o.o., it should be noted that total revenues fell by 18% in 2020 compared to 2019. Operating expenses decreased by 17% and financial expenses decreased by 30%.

Other operating revenues make up a smaller part of total revenues, so the increase from 1.26% to 5.35% does not have a significant impact on total revenues.

By analyzing the structural financial statements for 2019 and 2020, we come to the same conclusions as we would by considering the comparative financial statements. It is important to note that structured reports are important when comparing business with other companies, especially if companies of different sizes are being compared. Structured reports are also useful when comparing data from a single firm for multiple accounting periods when inflation is present.

As a result of operations, in the vertical financial analysis of structured financial statements the focus is on two objectives:

1. The source of property that can be one's own and someone else's is taken into account.
2. The structure of assets is observed in the form of the ratio of current and non-current assets determined by the activity of the enterprise.[6]

After conducting a horizontal and vertical analysis from comparative and structured financial statements, we conclude that the company we observe is operating successfully and that over time it raises the quality of business.

1.2.3. Analysis of financial indicators

A financial indicator is the ratio of two economic quantities to provide usable information. Financial indicators are the most widespread instrument and are considered to be the carrier of financial information.

[6] Žager, L. et al. (2008) Analiza financijskih izvještaja. Masmedia, Zagreb

Table 7. Source: Data from the annual financial statements of Pro kolekt d.o.o.

LIQUIDITY INDICATORS	2019.	2020.
Current liquidity ratio	0,02	0,02
Fast relationship	1,05	1,05
Current ratio	1,05	1,05
Degree of coverage I	50,66	49,47
Degree of coverage II	50,66	49,47
DEBT INDICATORS	**2019.**	**2020.**
Self-financing ratio	0,05	0,05
Funding ratio	18,87	19,84
PROFITABILITY INDICATORS	**2019.**	**2020.**
EBITDA margin	19,76%	18,86%
EBIT margin	19,48%	18,68%
Net margin	15,71%	16,70%
ECONOMIC INDICATORS	**2019.**	**2020.**
Cost-effectiveness of total (uninterrupted) business	1,24	1,23
Cost-effectiveness of business activities	1,24	1,23
Cost-effectiveness of financial activities	0,24	1,25
INDICATORS OF PERSONS IN PAID EMPLOYMENT, PRODUCTIVITY ANI	**2019.**	**2020.**
Number of employees	6	5
Operating income per employee	933.626	914.946
Net profit / loss per employee	146.650	152.761
Share of staff costs in operating income	19,85%	24,07%
INDICATORS OF FOREIGN BUSINESS	**2019.**	**2020.**
Export	5.123.937	3.704.778
Import	1.430.912	1.037.369

Liquidity indicators are a measure of a company's ability and speed of settling short-term, overdue liabilities. If a firm is trying to maintain liquidity at a healthy level, it should be 1, indicating the firm’s ability to meet short-term liabilities.

The table shows that Pro kolekt also holds too much money in its bank account, but the 1.05 level does not mean that the company is too liquid.

Indebtedness indicators provide information on corporate indebtedness based on data from the annual report. The debt ratio is a lot higher than the own financing ratio due to the short-term liabilities of the company.

Cost-effectiveness indicators are calculated by RDG data and are a measure of the efficiency of a company's operations. Revenues and expenditures are in the ratio of cost-effectiveness indicators. In the observed periods, the economy of Pro kolekt is high.

For the observed periods, the indicators of economy are high because the company operates economically, and its revenues are higher than its expenditures in all years.

Profitability indicators speak of a company's ability to generate new revenue with the resources it possesses. In both observed years, Pro kolekt generated revenues in higher amounts than expenditures and operated with a profit.

1.3. Cost management in times of crisis

At a time when there is no security of the company's operations, unfavorable market conditions contribute to the company's vulnerability, which is reflected in the uncertainty and riskiness of the business. Such situations require the ability of managers to adapt the company's business to the new market conditions. Certain measures and steps need to be taken in order to mitigate the impact of unfavorable market conditions, and in order to mitigate their effects on the company. The measures should keep the company competitive in the industry. A number of unfavorable factors affect the company's operations, such as reducing the volume of business, reducing liquidity, and increasing operating costs. It is important that companies recognize the threat in time and take the necessary measures to receive timely signals as warnings from the market, while also knowing how to respond to them by adjusting their business and making timely decisions. The manager has a great responsibility in determining measures because he must accurately determine the initial assessment of the state of the company in order to be able to set goals accordingly and determine the activities by which these goals will be met in a realistic time frame. One of the options is the restructuring of the company, which implies and as a result has a movement in the optimal structure of changes in strategic management and operational decisions of the company. In addition to restructuring, there are a number of other measures and models that have the effect of reducing costs and increasing the efficiency of the company's operations.[7]

The steps taken by the manager of the company Pro kolekt are as follows: change of business premises, transition to smaller offices given the amount of fixed costs that the company has, and the work took place entirely from home. It is completely possible to transfer the job to any position thanks to the developed technology that enables mass production of reports. Going on business trips with partners and clients reduced the generous travel expenses that the company accumulated on an annual basis. This is also the cost at which the greatest savings were made because the company actively worked on organizing conferences and going to meetings with clients in order to maintain good business relationships, and possibly meet new clients.

Two main goals stand out from the basic goal of cost management: global competitiveness and continuous business improvement. Based on these two goals, cost management is defined as an attitude, as well as a large set of techniques that aim to create more value with costs that are at the same time lower.[8]

The company, in its new situation with the COVID-19 virus pandemic, had to continue to strive to improve its business and maintain competitiveness while dealing with negative market factors that it could not influence. In the case of Pro kolekt and the nature of the business it deals with, a situation occurred where the consequence with the receivables collection department was much stronger but at the same time partially compensated due to the credit reporting department. In the credit reporting department, there was also an increase in demand for creditworthiness due to the great fear of market participants who wanted to take cautious steps in times when they did not know how it would work. On the other hand, the receivables collection department had a significant decline because debtors also found themselves in situations where they do not generate income and are not able to cover overdue liabilities.[9]

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[7] Vučur, G. (2014.) Restrukturiranje mikro i malih poduzeća u uvjetima krize – primjer iz prakse. Economics & Economy, 1(2), 177-192.

[8] Agrawal, S.P., Mehra, S., Siegel, P.H.: Cost Management System: An Operational Overview, Managerial Finance, Vol. 24, No. 1, 1998., str. 60.

[9] Jones, T. (2004.), Business Economics & Managerial Decision Making, Chichester: John Wiley & Sons Ltd.

A company that maximizes sales revenue is better positioned than a company that maximizes profit. By increasing sales revenue, they increase market share, which was considered by business strategists as a very important goal. Baumol predicts that companies will move to new total revenue curves and new ways of advertising. Business advertising is used as a way to spread information to consumers and persuade them to buy a product or service. Baumol also argues that marginal advertising revenue is always positive and does not affect the change in the market price of a good or service.

Pro kolekt is focused on growing sales revenue, not so much on maximizing profits. This is visible in the successful results from year to year, which is why further growth was expected in 2020. The goal is to continuously achieve growth in the market and increase the volume of sales of services on offer and their improvement in order to keep customers satisfied.

Baumol's research on solid behavior and entrepreneurship is part of a broadly defined research program in economics, ranging from traditional neoclassical analysis (1961), early bold attempt at economic dynamics (1951) and social welfare economics and state theory (1952), to solid state analysis behaviors (1959, 1971 [with Stewart]). Baumol is also credited with the idea that companies are sales maximizers, not profit maximizers.[10]

Some studies have attempted to measure a company's performance based on whether owners or managers were able to set company goals. A survey of 26 studies (Short, 1994) found that most give some support to the claim that owner-controlled firms earn higher profits than manager-controlled firms. The results, however, are not always statistically significant (Short 1994, p. 206). Studies in the United Kingdom (Radice, 1971) show that ownership that manages a company not only brings profitability, but also greater variability in profits than in companies in which management is in charge of leadership. Holl (1975) finds no significant difference, between a managerially and an ownership-controlled company within the same industry. Steer and Cable (1978) find that ownership-controlled outperforms management-controlled enterprises, as found by Leach and Leahy (1991). These results do not imply a proprietary controlled company maximizes profits, only that they achieve higher profits, confirming comparative static outcomes to increase profits and sales.[11]

In the case of the observed company, the owners are not also managers of the company, so according to the above research we can conclude that the company does not make the maximum profit that it would make if the owners were also managers. The amounts of these costs of the so-called agent costs certainly exist but are quite negligible.[12]

Agency theory dictates the level of information within the company and the costs associated with business risk. The agent acts in his own interest; the assumption is that his rationality is limited and that he operates with an aversion to risk. Due to these factors, there is a conflict between the agent and the business owner, and due to different information on both sides, there is a possibility of incurring agent costs. The agent aims to maximize the cost-oriented benefit. An agent's cost is considered to be all the tangible

[10] Baumol, W. J. (1959) Business Behaviour, Value and Growth. New York: Macmillan.
[11] Jones, T. (2004.), Business Economics & Managerial Decision Making, Chichester: John Wiley & Sons Ltd.
[12] Žager, K. et al. (2017) Analiza financijskih izvještaja: načela, postupci, slučajevi. Zagreb: Hrvatska zajednica računovođa i financijskih djelatnika, str. 274.

and intangible costs that the owner invests in order to have control over the agent's behavior. Costs are also considered to be those incurred by the agent at the expense of the company, without contributing directly to the fulfillment of business goals but contributing to the personal benefit of the agent.

From the agent cost theory it is also evident that managers most often work for their own interest and only then for the interest of the owner; this cannot be avoided but it can be minimized. The financial results of the company show that this does not jeopardize the success, stability and security of the business.

A full view of the company's operations and making more comprehensive and reliable conclusions implies an assessment of the company's operations over a longer period of time (minimum five years). The paper will be based on a comparison of financial indicators and costs presented in the financial statements comparing 2020 with 2019.

The new crisis situation required adjustment of costs by the manager. The receivables collection department found itself in trouble with continuing to operate at the pace at which it had been executing until then. Companies that closed during the isolation, and were debtors, were unable to pay overdue liabilities so the collection performance was lower than the year before. The change is visible in the financial statements in operating income. The difference in revenues compared to 2019 was reduced by the demand for the debt collection service. On the other hand, the growth in demand for credit ratings of financial entities offset part of the difference in the decline in the receivables collection department.

The difference in operating revenues was also affected by the departure of a large long-term client that is not related to the COVID-19 virus pandemic, but still contributed to a stronger decline in revenues in early 2020. It is necessary to point out this difference so as not to attribute the entire decline in operating revenues to the wrong cause, ie the virus pandemic.

Costs during the new situation have been reduced in several areas. Due to the closure of the city, companies were forced to digitize business and do it remotely. Due to the nature of the debt collection business, contacts and visits were not allowed, which led to a decrease in performance, with the aforementioned reason that companies requested a deferral and new agreements on debt collection. The creditworthiness department did not encounter a similar problem; the work could simply be done from a safe distance. As there was an increase in demand for credit ratings of business entities due to the caution of business entities in a crisis situation, analysts have successfully responded to the growth in the amount of required reports.

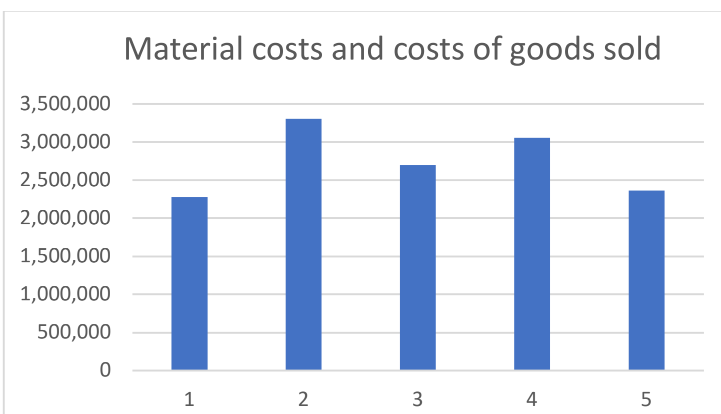
Employees regularly go on business trips abroad with clients and other Pro kolekt companies in the region. They would travel to meetings with partners who are mostly abroad and potential clients to FEBIS conferences, which are congresses organized with the intention of bringing together all rating agencies around the world. Due to the new situation, these trips were not possible, which made the biggest savings on the cost side. From the conversation with the director, we learn that this is an approximate amount of EUR 20,000 per year.

COVID-19 is the cause of various restrictions faced by companies in 2020. Among other things, the number of people on the premises was limited, which forced companies to make significant changes in daily business, ie employees were obliged to perform their business duties from home.

The second biggest savings were made on changing offices. The obligation to work from home prevented the possibility of using office space but left a high fixed cost which created a major problem in a crisis situation. The cost of the office was HRK 18,750 per month. The large fixed office cost was replaced by a smaller office whose monthly cost was HRK 9,875. Replacing the office saves money with a difference of $ 8,875 per month. Replacing the office has proven to be a smart move, given the information technology that allows work from home rather than from office spaces. It also allows for fewer employees needed in the production of credit reports. Employee salaries were not reduced despite the situation caused by the pandemic and the departure of a longtime client. Due to the decline in business volume, which partially reduced the company's costs when there was a significant decline in revenue, state aid for employee salaries was used in April, May and June due to the decline in business volume compared to the previous year.

Figure1. Cost comparison
Source: author's work according to the data from the annual financial statements of Pro kolekt d.o.o

Total operating expenses decreased after 2017, and in 2019 grew again to the same level as in 2017. In 2020, there was a decline in operating costs made by various savings resulting from management decisions to reduce business travel and attendance at conferences, changing business premises and reducing fixed costs by working from home.

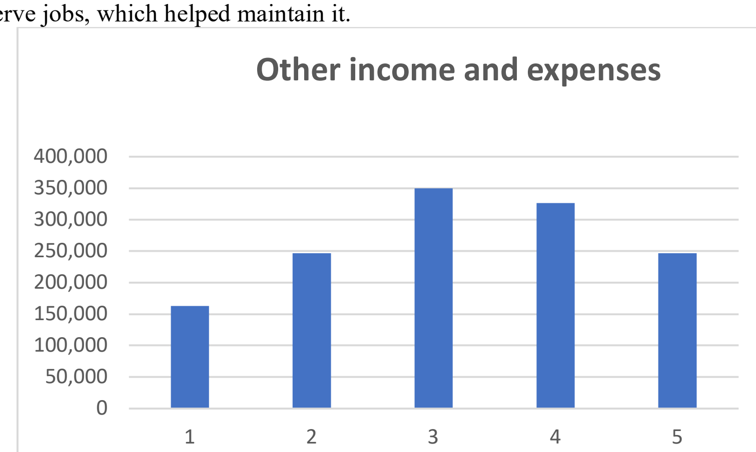


Source: author's work according to the data from the annual financial statements of Pro kolekt d.o.o.

Material costs fell significantly in 2020, which was also caused by management's decisions on savings, but also on the impossibility of buying and collecting receivables. In 2019, they were at the level of HRK 3,000,000, and in 2020 they were reduced to HRK 2,400,000.

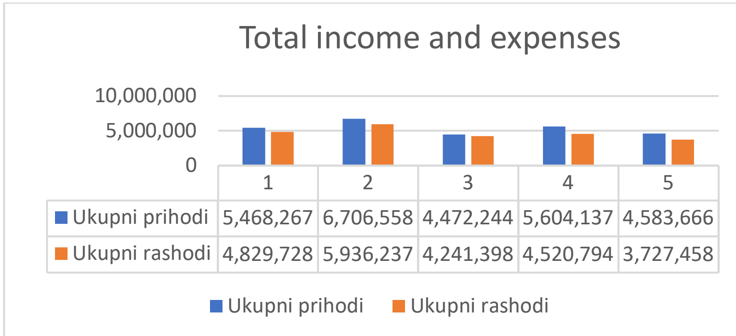
Source: author's work according to the data from the annual financial statements of Pro kolekt d.o.o.

Staff costs remain roughly the same as they were two years earlier. Given the new situation, jobs were saved and no workers were laid off. Staff costs are stable from year to year in the amount of HRK 1,100,000. In 2020, state aid and support were used to preserve jobs, which helped maintain it.



Source: author's work according to the data from the annual financial statements of Pro kolekt d.o.o.

Other company costs have been steadily declining since 2018. An additional reduction in other costs was achieved by working from home and the inability to go on business trips. From the level in 2019, where they amounted to HRK 326,211.00, they are reduced to a new lower level of HRK 246,703.00.



Source: author's work according to the data from the annual financial statements of Pro kolekt d.o.o.

The chart with total revenues and expenditures clearly shows that in 2020 the total amount of revenues and expenditures is declining compared to 2019. In 2020, the company, according to management expectations, was focused on continuing growth from the previous year. Due to the unforeseen crisis situation (the virus pandemic), the management was focused on reducing costs in order to continue operating at a profit in 2020. The primary culprit for the decline in income in 2020 is not the pandemic, but the departure of a large client at the beginning of the year.

2. PROGNOSIS ANALYSIS OF COST MANAGEMENT

2.1. Challenges of enterprise cost management during a pandemic

With the advent of the COVID-19 virus pandemic, companies found themselves in a crisis situation that expected rapid adjustments and responses to the situation in order to survive in the new conditions. Managers were forced to change management decisions to maintain business volume at the same level or with a minimal drop in turnover.

Management economics aims to solve the problems of the company as an organization that aims to maximize profits. Profit by definition of accounting is the difference between total income and total expenses. We will branch out the notion of profit by taking cost concepts into account.

Santini cites the existence of 3 cost concepts, first of them being explicit costs which show the amounts of factors paid in advance and are spent to achieve new product values. Implicit costs represent the amount of money given to a resource in order to gain an advantage of use in production.[13]

A possible return on invested own funds must be included in the cost estimate of the company. The opportunity cost is zero in cases where the market value of the influencing factors is also zero, which means that no company in the industry is looking for or buying that resource. Profit is defined as the difference between the total income and expenses of the financial year with implicit and explicit expenses deducted from the total realized income. Accounting profit is the amount that shows the capabilities and sustainability of the company for further business. Economic profit is an indicator of a company's

[13] Santini, I. (2006) Troškovi u poslovnom odlučivanju, 2. izd. Zagreb: HIBIS d.o.o. Centar za ekonomski consulting, str. 10-12.

soundness to continue operating. For this reason, costs should be viewed as the sum of all explicit and implicit costs as part of total expenses.[14]

A company that maximizes its value strives for classic goals for successful business based on a calculated economic profit that assumes the creation of additional value and money for owners and all existing stakeholders. The goal of the business contains time as a component that is seen through the price of that time and the risk that the company takes for the sake of successful business. Interest groups such as business owners bear the greatest risk for the company's success and aim to operate in real market conditions and strive to adapt to those conditions. The basic business idea for the owner is to maximize wealth aimed at increasing the value of stocks in the market.[15]

In addition to profit maximization, the company must take into account the long-term viability of the business because it is in the interest of a longer life and profit before making a profit within one business year and actually benefits all partners and businesses as market participants.

Where profit maximization is the company's goal, economists have developed a set of rules that will guide the manager to achieve this. Assuming that an enterprise produces and sells one product, profit is the difference between total revenue and total cost. The profit function shows the range of outputs in which the gain is positive. The slopes of the total revenue and cost curves, the total cost supplement or the marginal cost are equal to the total revenue supplement or the marginal revenue at the exit. The manager must have information about the company's revenue, marginal revenue and cost curves when making decisions to maximize the company's profits.

A more detailed definition of value maximization as a goal of the company provides insight into how the company's income and economic profit is the basis on which the value of the company is obtained, from which we see the sustainability of business and the sense to continue maintaining business volume.

The main criticisms of the profit maximization assumption from empirical studies are:

1. Profit maximization is a bad description of what many companies are actually trying to achieve.
2. Other goals may be more important, such as increasing sales in the short term.
3. No goal can be maximized.
4. Marginalism is a bad description of the processes that companies use to decide output and price.[16]

According to Orsag, within business finance, the most common concepts of value are:

- Book value,
- Liquidation value,
- Market value,
- Economic value.[17]

[14] Rupčić, N., op. cit., str. 60-61.
[15] Orsag S. (2015) Poslovne financije. Zagreb : Avantis i HUFA, str. 59-60
[16] Jones, T. (2004.), Business Economics & Managerial Decision Making, Chichester: John Wiley & Sons Ltd.
[17] Orsag, S. (1997) Vrednovanje poduzeća. Zagreb: Infoinvest, str. 45

Book value is the difference between the estimated value of an asset and the estimated liabilities of the same enterprise.

Liquidation value is the remainder of the value of the liquidation estate that remains available to the owners after all liquidation costs have been settled.

Economic value is the value based on the present value of expected net cash flows.

Market value is based on the "going concern" business concept.

The "going concern" business concept represents economic values, and is determined based on the expected future cash flows that the company is assumed to realize, assuming that business continuity is unlimited. Such a concept is closest to valuing a company intrinsically to assess its value and the company's financing instruments.[18]

The most relevant concept for determining economic profit is to determine the maximization of the value of the enterprise that every modern enterprise aims at. It is based on the interdependence of risk and profitability that future expected cash flows have in their calculation.

We define operational business analysis as a methodology of business analysis, as the science of "the way of knowing and realizing the possibility of using the potential to meet goals and achieve them with satisfactory results."[19]

Operating operations take place as determined processes that aim to increase the efficiency of the company's operations. The assessment of operating operations is divided according to the degree of ability to maintain order and is defined as a state of order and a state of crisis.

Palepu and Healy state that the purpose of the financial analysis itself is to assess the past effects with the current effects of the company, which as a result gives an assessment of the viability of the business using financial and information leverage.[20]

By definition, the function of management economics, in addition to evaluating the current distribution of resources, involves timely response to signals from the economic environment. Internal or external factors that can jeopardize the business and survival of the company can be read as signals to which managers should respond in a timely and adequate manner. Crisis times, regardless of the source of the factor that threatens the survival of the company, require a strong adjustment of management and decision-making by managers. The word crisis (Greek krísis) is defined as a transient unfavorable period or condition in any process. It represents a point that is related to decision making. In the context of business, such a situation can be described as an unconventional situation that potentially leads to jeopardizing the survival and business of the company as a whole. In such situations, it is necessary to redefine the optimization goals on which the management economy is based. Priority is given to goals and tasks that enable the crisis to be overcome and the survival of the company.[21]

The COVID-19 pandemic is just one example of a crisis situation in which many companies from different industries have found themselves. In the financial industry, as in all others, priority was given to targets for reducing operating costs in order to make

[18] Orsag, S. (1997) Vrednovanje poduzeća. Zagreb: Infoinvest, str. 46-50

[19] Tintor, J. (2009) Poslovna analiza. Zagreb: Masmedia, str. 202.

[20] Palepu, K. G. & Healy, P. M. (2013) Business analysis & valuation using financial statements, 5th ed. Mason, Ohio: South-Western, Cengage Learning, str. 12.

[21] Osmanagić Bedenik, N. (2007). Kriza kao šansa: Kroz poslovnu krizu do poslovnog uspjeha, 2. dopunjeno izdanje. Zagreb: Školska knjiga. str.12.

savings given the threat of declining business volumes. The savings were made in various ways, from changes in business premises, through the sale of company assets to the dismissal of workers.

There are also forces that increase transaction costs within organizations. The top management of an organization may be absent without the specialized information and skills needed to manage a company in several different industries. This lack of expertise reduces the possibility of real economies of scale, even when there is potential for the economy to do so. This problem can be solved by creating a decentralized organization, hiring special managers to lead each business unit and providing these managers with appropriate incentives. However, decentralization will also potentially reduce the concordance of objectives among sub-unit managers, making it difficult to achieve economies of scale; whether or not the organization creates more value.

Analysts should ask the following questions to assess whether an organization’s corporate strategy has the potential to create value:

1. Are there imperfections in the product, labor or financial markets in Croatia?
2. What are the transaction costs in the industry?
3. Does the organization have special resources such as brand names, proprietary know-how, organizational processes that can create economies of scale?
4. Is there a good fit between the company’s specialized resources and the company’s portfolio?
5. Does the company grant decision-making rights between the head office and the business unit optimally to realize all potential economies of scale?
6. Does the company have internal measurement, information and incentive systems to reduce agency costs and increase coordination between business units?

The sources of a business crisis can arise within a company as well as externally. External sources arise from the unfavorable development of the company's environment and cannot be influenced or prevented. Individual companies cannot influence the development of events in the economy or industry within which they operate. Therefore, it is important to develop instruments that would provide management with timely warnings of potential negative developments in the company's environment.

Internal sources of business crises arise from the company itself and its way of doing business. Management bears the greatest responsibility for their way of doing business; they are considered to be the most responsible for the internal crisis, which has been confirmed by numerous studies.[22]

The COVID-19 virus pandemic is definitely considered an external factor that companies could not influence with their decisions. After the damage already occurred in the industry, companies adjusted their business and decisions to the new situation and tried to minimize losses and adjust structural changes in order to survive in the market and potentially generate new profits.

The managerial function combines all the above procedures and responsibilities in crisis management within the company. From preventive action before the crisis, crisis management or management, all the way to learning and adopting new ways of thinking and acting in crisis situations. Crisis management is a process called crisis management and is divided into phases: preventive management; identification and reactive business crisis management.

[22] Osmanagić Bedenik, N. (2010) Krizni menadžment: teorija i praksa. Zbornik Ekonomskog fakulteta u Zagrebu, god. 8, br. 1, str. 108.

Accordingly, Krummenacher defined crisis management as activities aimed at managing situations that pose a threat to the company's survival, its planning and implementation of measures to ensure opportunities to meet the fundamental goals set by the company.[23]

Macroeconomically, a decline in business volume and business cycle is considered a recession. It is a multiple period of decline in total production, profits and employment that usually lasts from 6 months to a year. This period was marked by contraction in many economic sectors. Common features of the recession are: declining investment, declining consumption, declining production, declining real gross domestic product, declining employment, declining demand and raw material prices, and declining corporate profits with falling ordinary stock prices.[24]

The company at the time of the pandemic was not marked by a decline in total production but by a minor adjustment on two sides. With the announcement of the crisis and times of crisis, awareness of the need for caution in making financial decisions and investments increased. This caused an increase in the demand for credit ratings as companies wanted to be more cautious in a crisis situation with whom they will do business and to whom they will lend capital.

There are no two equal recessionary periods, but they are all marked by demand-side shocks, declining general consumption caused by a number of different factors: financial crisis, supply-side crisis, trade shock, unjustified growth of certain assets or in the current case, the virus pandemic. Market contractions have an ambivalent impact on different industries, but also on different firms within the same industry.

The industry in which the company operates refers to all companies that fight for site customers and create these values with a similar production function. This means using the same technology or production process. Each industry has a specific and different structure, and the features of the structure influence the behavior and response of firms within the same sphere. It affects their individual result and the result of the whole industry. The analysis of the market structure, which is represented by the interdependence of sellers and buyers, is used in order to determine the way of doing business, ie the basis for determining the competitive advantage. It is necessary to determine the relationship between the following factors: the number of existing companies in a given market, average company size, calculation of industry concentration, technological and cost conditions, level of demand, entry and exit conditions or barriers to entry.[25]

2.2. Consequences of a pandemic on enterprise cost management

A new situation arrived that changed the way of thinking of all managers and forced them to be more careful in making decisions and watching the consumption of the company. Pro kolekt adjusted the way the credit rating department operates to the situation by allocating the maximum amounts for financing to business entities more carefully.

The company's rating models have been adjusted, tightened for new market conditions where all participants have become more cautious due to the announcement

[23] Krummenacher, A. (1981) Krisenmanagement. Zürich: Industrielle Organisation

[24] Samuelson, P. A. & Nordhaus, W. D. (2011) Ekonomija, 19. izdanje. Zagreb: MATE d.o.o., str. 429-431.

[25] Rupčić, N., op. cit., str. 226.

of a crisis period following the pandemic. For example, when preparing a credit report in which the amount of the maximum financing of a business entity is finally determined, which, considering the financial indicators, represents the amount up to which it is recommended to enter into business cooperation or financing as much as possible. The amount of maximum funding is adjusted to the situation in the way that 10% less is allocated.

Larger clients of Pro kolekt are located in China and Italy. China recovered the fastest and the short-term decline in exports that directly affected the amount of credit ratings was offset by a more cautious allocation of the maximum amount of financing. Italian customers also had a drop in exports, which has been recovering longer than China's exports, but customers have continued to operate and despite declining demand for credit reports, Pro kolekt has not felt a significant difference.

In addition to the already mentioned savings on business travel and change of business premises, employee salaries are not reduced and workers are not fired.

With the normalization of the situation and the discovery of the consequences of the pandemic, it is planned to restart business trips with partners and clients, which will result in finding new clients, and will be reflected in average growth and workload, and eventually revenue as was the case before the unexpected pandemic.

2.3. Company strategic plan

Managerial economics are closely related to more direct practical business disciplines; many economists insist that if these other subjects have a sound theoretical foundation, they can usually be found in economics.[26]

The manager rarely makes decisions in situations of absolute certainty of the outcome of a scenario. Making decisions in safe conditions can be applied at the lowest levels in terms of routine and operational decisions. Moving away from routine, operational decisions increase the degree of risk and uncertainty. The most unfavorable situation in which a decision needs to be made is an uncertain situation. Such situations are almost routine and test the abilities of managers.[27]

The characteristics of uncertain situations are:

1. lack of valid data,
2. uncertainty of available information,
3. lack of knowledge about the possibilities of evaluating situations in decision-making,
4. ignorance of the relationship between different variables that can affect the decision-making process.

[26] Davies, H., Lam, P-L(2001) Managerial Economics: An Analysis of Business Issues, 3rd Edition, Hong Kong Polytechnic

[27] Sopta, M. & Slavica A. (2017) Importance of cost function in business decision making. 19th International Scientific Conference on Economic and Social Development, str. 208-225. Melbourne, Australia, 9-10 February 2017

The effectiveness of a manager in risky conditions is therefore reflected in the availability of information and his experience in similar risk situations.[28]

Characteristics can also be recognized in this crisis pandemic crisis situation where companies were overwhelmed by a large amount of contradictory information from which it was difficult to filter valid data and information on the basis of which decision could be made. A lot of new factors that could not be influenced endangered the business and survival of the company.

The task of managers is to determine the direction of allocation of scarce resources in order to effectively achieve managerial goals. It is important to know managerial economics. Management economics studies how to direct scarce resources to continue to achieve effective managerial goals. It deals with the application of economic theory or methods in order to determine the most efficient way to achieve the goals of the organization in the current environment. It is defined as the application of analysis in solving business problems. The basis of action, regardless of the environment, is the decision-making process based on calculated indicators and methods.[29]

The director of the company Pro kolekt made a decision on these savings in order to maintain a level of business volume sufficient to maintain the survival of the company in the market. Over time, the pandemic provided new answers and information on market developments, while everyone tried to react in a timely manner to the information received in order to return business to pre-pandemic levels as soon as possible. Decisions were made on the fly and the plan was to wait for the full recovery of large clients and be at their disposal. At the same time, a stronger demand for creditworthiness reports was used with additional caution in determining the maximum loan amount of the entity under analysis.

2.4. Economic and financial goals

Studies of functional areas of business decision-making, along with the theory of economics itself, are an important basis for decision-making. Managerial economics can be viewed as a general study that integrates economic theory, decision-making science, the study of functional areas of business decision-making, and research into how these components overlap when a firm seeks to achieve its goal most effectively.[30]

The goal of company recovery is hidden in rigorous diagnostic assessments after which it is necessary to launch a company stabilization program. This is a program designed to oversee the company in order to overcome the crisis situation and create new revenues that enable further successful business.[31]

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[28] Sopta, M. & Slavica A. (2017) Importance of cost function in business decision making. 19th International
Scientific Conference on Economic and Social Development, str. 208-225. Melbourne, Australia, 9-10 February
2017

[29] Rupčić, N., op. cit., str. 33

[30] Salvatore D. (1994) Ekonomija za menadžere u svjetskoj privredi. Zagreb: MATE, str. 7

[31] Slatter, S.: Corporate recovery, Penguin books, London, 1984

The management of changing the direction of business is actually the management of the day-to-day operations of the company. Companies that find themselves in the early stages of decline can benefit by using changes in business direction in smaller quantities. On the other hand, companies that have recently been taken over are looking for a higher degree of editing and change of direction. Business change management comes down to applying traditional management techniques in unusual environments.[32]

Pro kolekt is a company that found itself in the early phase of the decline caused by the departure of a large client in early 2020, which also affected the poorer financial indicators in early 2020. Regardless of the departure of one of the key clients and the emergence of a crisis situation with the pandemic, the manager made good decisions with which he successfully compensated for losses in one department that directly felt the impact of the pandemic, and another department that was presented to clients as even more necessary.

One of the most important concepts of industrial organization, relevant in the context of managerial decision making is structure-leadership-performance. S-C-P (Structure-Conduct-Performance). The analytical framework created by the American economist Joe Bain in 1959, states the market structure determined as a determinant of the behavior of companies that is responsible for their end result of business. The most frequently observed elements are concentration of supply and demand, entry and exit barriers, technology and product heterogeneity. Leadership refers to the performance of a company, and performance is measured by indicators of efficiency and profitability.[33]

The link between industrial and managerial economics was not significant until the interaction and connection of research in the 1980s with a paradigm shift in industrial economics. With the structure-behavior-outcome approach, theoretical analyzes have been replaced by game theory with extensive case studies and research. The focus of the study was on the study of the behavior of the company as an individual system, ie the application of the decisions of the company as an individual in the market.[34]

Managers of private companies are responsible persons who regulate the business; because the shareholders are usually small, which reduces the possibilities of informing about the performance. Therefore, managers of private companies have the opportunity to realize their private goals as long as the owners are satisfied with the business of the company and the results achieved. Managers can increase costs above the level set as a minimum for a predetermined amount of production in a variety of ways. (higher employment, more expenses for prizes and travel, etc.).

These examples increase the benefit for the manager, but at the same time reduce the profit of the company. The amount of all costs above the minimum that is determined is called the manager's cost preference.[35]

In this case, the preferential costs of the manager are the ones on which the greatest savings were made during the crisis situation. The inability to travel and visit clients has

[32] Slatter, S., Lovett, D. (2011) Kako tvrtku izvući iz krize : promjena smjera poslovanja u tvrtkama koje se nađu u problemima. Zagreb: Mozaik knjiga

[33] Bain, J. S. (1959) Industrial organization. New York: John Wiley & Sons, Inc.

[34] Rupčić, N., op. cit., str. 38.

[35] Sopta M. & Komin, A. (2017) Operational analysis of company costs. 19th International Scientific Conference on Economic and Social Development, str. 74-93. Melbourne, Australia, 9-10 February 2017

greatly reduced costs to a minimum. The work that was run from the homes of the employees and not from the business premises also had the effect of reducing costs. The business was eventually fully digitized and mobile, which was made possible by the new situation.

Digitization represents the transformation from analog to digital. Enterprise means the conversion of data into digital form, data that is used in everyday business and enables normal business. Digitization represents important business changes and changes in business models of companies based on new knowledge learned from digitization initiatives.[36]

Spremić defines digital transformation as the intensive application of technology and resources in order to turn them into revenues, new business models and ways of doing business. A transformation occurs when a company decides in a short period of time to fundamentally change the business processes on which it has operated until then. Changing the strategy, activities and organizational structure of the company leads to better connection of these processes and provides a competitive advantage in industry and the market.[37]

The aforementioned advantage of this activity is the maximum use of information technologies that enable work from everywhere. Employed professionals can produce a large number of financial statements with a high level of quality that cannot be missed with the location of the work. We can conclude that the company exploits the application of technology for its own needs and successfully speeds up the report production process.

CONCLUSION OF COST MANAGEMENT ANALYSIS

Smaller companies like Pro kolekt d.o.o. can significantly affect the strength of the economy, the growth of competitiveness, and thus the quality of services and products. They are one of the most important participants in the labor market, which is achieved by employing human resources. Small businesses are not managed in the same way as large ones due to differences in financials and accounting monitoring of operations. Smaller companies may feel market fluctuations more strongly and are more vulnerable than larger ones. In the event of crisis situations, which we define as unexpected events that cause uncertainty in achieving the company's goals, the crisis calls into question the possibility of the company's survival due to unpredictable events and the ability of companies to quickly adapt to new conditions in response to a crisis situation.

Managing costs during the crisis caused in this case by the COVID-19 virus pandemic required a quick adjustment to reduce operating costs and maintain the level of operating revenue. The analyzed company in operation, Pro kolekt d.o.o., felt a decline in demand for the debt collection service, but successfully compensated for this decline with the growth of the credit reporting department for greater caution and business entities in times of crisis. From the conversation with the manager, we learned the specific amounts on which the greatest savings were made in 2020, which are presented in more detail in

[36] Schallmo, D. R. & Williams, C. A. (2018) Digital Transformation Now!: Guiding the Successful Digitalization of Your Business Model. Cham: Springer International Publishing, str. 6

[37] Spremić, M. (2017) Digitalna transformacija poslovanja. Zagreb: Ekonomski fakultet, str. 53.

the paper. The company used its potential to get out of the crisis without long-term consequences on business, which we confirmed by horizontal and vertical analysis of the balance sheet and profit and loss account of the company.

The recommendation for further business of the company would be to focus on the credit reporting department, given that the period of caution in the market will last, and probably increase demand and establish the habit of reviewing the credit report before concluding a new agreement between businesses in the market. The company should by no means neglect the debt collection department, but maintain it until the market situation allows for a return to old demand and new growth.

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