

Evaluate Local Private Companies Developing Strategy to Solve Crises

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This study concentrated on local private companies' evaluation to solve crises. It explains the factors that have an effect on these companies' success by developing strategies, establishing general budget supporting up their conditions, fair dealing with tax and clear corporate responsibility duties. The companies that get government support may reach their aims of solving the crises or may develop trickeries to get unfair profits besides government support which increases depression. The researcher suggests the use of three tables which will be presented in this study, as models to evaluate the fair general budget policies, the ability of local private companies to get support, and also to evaluate the sharing between companies and government. These tables are important and need to be monitored and can provide direction for companies to a condition which is to cover citizens' need locally, at appropriate prices, at a suitable time and place. On another hand, a figure displayed in this research can be used to watch a company's reaction in crises.

Keywords: Evaluation, Crises, General budget, Tax, and Local private companies

JEL Classification: H32

1. Introduction

Economic crises lead to depression as result of companies' losses. Companies lose capital or expert human resources or their possibility to use land. These aspects come as results to events such as war, earth quick, diseases, and immigration. Some losses come because of market ignorance as using trickery without enough controlling from the government.

Economic crises may lead to depression as result of not using resources in an appropriate manner. Countries could face using capital, such as cash and may experience inflation. They tend to use liquidity of money to function rather than to produce services and products. This case will imply increasing the cash level to buy limited supply of products. On one hand, it leads to increased product price because the buyer has cash to buy in spite of increasing its price; on other hand, increasing liquidity shows companies the possibility to delay credit by getting another credit.

This case means that the country cannot depend on pushing liquidity to supply local companies in order to reduce depression. Nicolas and Serene (2011) promoted an idea about the inflation rate that affected money as means of payment and as a store of value, and as a reason that inflation improves trade if it directs cash liquidity to real investments.

The government tries to solve the problem by encouraging production to reduce tax. Some countries buy companies that do not perform very well and make the necessary management and financial restructuring

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while some countries try to bring in international companies to help them solve the problem as a result to their experience and international power. Some international companies' investors are actually countries. Every way of implementing a solution has a negative effect by decreasing the size of the local private investments and by increasing the general budget government expenses to develop solutions because, if not, the government will be blamed if the solution will not succeed to escape a deficit. Some experts' advice is to develop financing and investment tools by local companies in order to share in solving crises. The ignorance of companies managing and fast dealing with technology to increase speculations of these tools expect more than to use them in direct investment. It leads to more loses because the developing tools were directed to transfer risk. Loses will be transferred to speculators.

The effect of crises can be seen in financial markets. It shows the decrease of companies' shares market prices, number of companies, and daily dealing. It may lead to the loss of the financial market as standard to evaluate the development of the country. It can reduce country credit classification and standard to sell bonds in international markets and it can increase credit cost. However, solving the problem will lead to increased human resource value, assets value and land value.

1.1. The problem

There is need to study the decision problem of government solving crises by supporting private local companies as expected to use the developing strategy to increase country resources' value and tax return in the future. This decision needs limits to success or it will lead to increased general budget deficit as losing expenses and time. The main problem is to avoid negative effects and increase positive effects. The questions are:

- a. What are the limits to direct local private companies in developing the strategy needed to solve crises?
- b. What are the tools to evaluate local private companies in developing a success strategy in crises?
- c. Is there a possibility to find a model to show local private companies' evaluation to solve crises in order to control reaching the resources' value and keeping citizens satisfied?
- d. Are there limits to share government with local private companies?

1.2. The Importance

This research helps governments to distribute local private companies' responsibility to help solution aims. It directs local companies to developing a strategy to achieve their aims. It gives a model to control this sharing practically. It gives a model to watch assets' value, human resources' value, land value and to keep citizen satisfied as a result to cover the needs with a suitable cost in a suitable place within a suitable timeframe.

1.3. The Objectives

This research aims to find the following:

- a. To find effects of general budget on success sharing with private local companies to solve crises.
- b. To find negative effects of private local companies in developing a strategy.
- c. To find positive effects of private local companies in developing a strategy.
- d. To find government and local private companies' sharing limits.

1.4. Literature Review

Mashaqbah (2003) aimed to analyze general budget to correct economic policy. He found that reducing the current expenses, setting the price on essential products produced by local company, and increasing tax did not succeeded to the necessary restructuring using production elements sensibly. Khor (2005) explained how Malaysia government controlled Southeast and East Asia economics crises of 1997-1998 that depended on fixed exchange system after people lost their faith in free market system which meant to curb speculations in order to obtain economic growth as result of financial direct investments.

Bonini et al. (2010) found that corporate social responsibility contributes positively to long term shareholder value and helps their companies to build strong reputation. Ziesemer (2011) explained the standard of success tools types is to finance and invest up at a suitable time with suitable cost so there must be financing tools, investment tools, and saving tools to make money. Heinze et al. (2014) explained the important thing to evaluate companies in crises is their past reputation, not to be depended on independent investigation. Because there is the possibility of an ally. Seal and Ball (2011) concentrated on general budget management affected by strategy and structural changing in the public sector and time of needs in long term, short term and medium term, suggesting a dynamic dialectic of control framework. Nazal (2014) explained the effect of tax types on the company, general budget, and citizens. The result was negative because a third world country cannot

depend on economic equilibrium as self-sufficient therefore it leads to transfer citizen middle income type to limit their income type.

2. Developing Strategy

Developing a strategy gives the idea about developing or improving products to get advantages, as increasing quality to be similar to competitors' products, solving client problems, providing unique benefits to clients or establishing standards better than those of competitors (Slotegraaf and Atuahene-Gima, 2011, p. 106). Also it gives the idea about developing ways of investing or financing. It shows its managing ability to transfer risk, avoid risk and accept risk with the possibility of controlling it. For instance, a company's debts are delayed and has risk of default or has weak grantee. The company can sell with discount to another company. It transfers risk to the buyer and gets cash currently with a suitable part of loss as result to the discount or it can sell as bonds in financial market.

There is a strong statistical relationship between financial development and economic development. This often is presented as evidence that financial development causes economic development by promoting investment and making the allocation of resources more efficient (Amaral and Quintin, 2010, p. 804). This evidence means certain standards so if the developing strategy works against promoting investments and making the allocation of resources more efficient it will cause negative effects on solving crises.

Negative effects come as result to face government rules which reduce companies' profit. For instance, by increasing taxes, this policy will reduce company profit so it faces this increasing in an indirect way. It reduces asset ownership by using leasing and it depends of financing by loans to increase costs. This aspects make capital easy to transfer to another country. Companies may experiences loses by export products with loss to other country. It can make a commercial company to sell products and make profit by avoiding tax. Some countries try to support this company to keep the level of employment up by giving grants or providing energy at low price than that on the market but practically this supports the increasing of budget expenses.

3. Affections Between General Budget and local Companies Developing Strategy

General budget shows government expenses and returns. Expenses or returns are divided into current and capitalized items. The level of the expenses gives an idea about government expenses to support companies as sharing in employee insurance to reduce their cost or give company products, machines and energy with low prices than those on the market, also show sharing in company capital; however, the returns show local companies taxes and a way for the government to get returns. Reducing tax is an economic tool used to encourage local companies to increase capital, but also to reduce tax just for international companies who will face competition and the possibility of local company to experience loss. Encouraging means less costs, therefore international companies are able to sell products with low prices and good quality. This reduces local companies' sales and can lead to losses.

General budget can be financed by deficit. It means that the expenses are more than the returns so it needs to get loans. If deficit increases for years this means country delay problems and investing in that country may not be suitable to cover general budget returns. It increases a problem. Countries may refuse to give it a loan or to import products to cover the country's needs by credit. The general budget can be financed by surplus as a result to increasing returns than expenses. This surplus must be managed in a suitable way or there will be a case of inflation. This outcome can be protected by the companies' ability to use the resources in an appropriate manner. Government can finance companies in order to reach a self-sufficient level and get in growth mode. Growth can be accelerated by covering international needs or sharing in international investing which reduces local company cost and reduces the country's unemployment.

Government expenses used to support local companies can lead to three cases:

- a. Local companies use their developing strategy to increase investment value, human resource value and land value which means the government's future returns will be increased and will be able to cover the current deficit.
- b. Local companies use their developing strategy but it does not bring the success they anticipated. They need more support. Companies face crises but need more time. This means the government should increase their support for local companies or look for international companies as a way to reduce government expenses, but local companies will face more competition and reduce their returns. Trust is the rule. If country a lost trust in local companies, the government will choose the second route regardless of current international companies' risk especially if it faces a bad credit classification.

- c. Local companies get in a loss despite the government’s support. It may come as a result to a company’s trickery or its weakness of managing crises. They will be losing land value, human resources value and assets value. Government has to encourage international companies regardless of its bad affection as monopolized products to increase prices.
Any of these cases will revalue a country’s economic growth and citizens’ need satisfaction.

4. Private Companies - Ways to Face Tax

Citizens need to relate to their investing value whether in direct investment or in shares. Investing in a company means any tax will reduce shareholders’ profit. Taking taxes in crises cases means the reduction citizen wealth. Tax is types as sales tax, customs tax and tax on profit. Losing citizen wealth means to transfer from the middle income people to the inferior limit of the income type and to increase government problems. One of the worst case secrets of selling some company assets as an authorized manager and he gives shareholders part of its value as distributed profit to buy tax. A manager who does trickery will take commission and part of the asset value while shareholder losses his investing after tax in spite of losing.

Private companies face tax by many ways. Every action has an effect on government planning. Companies have to increase resources’ value but practically it can do so in many cases (Figure 1).

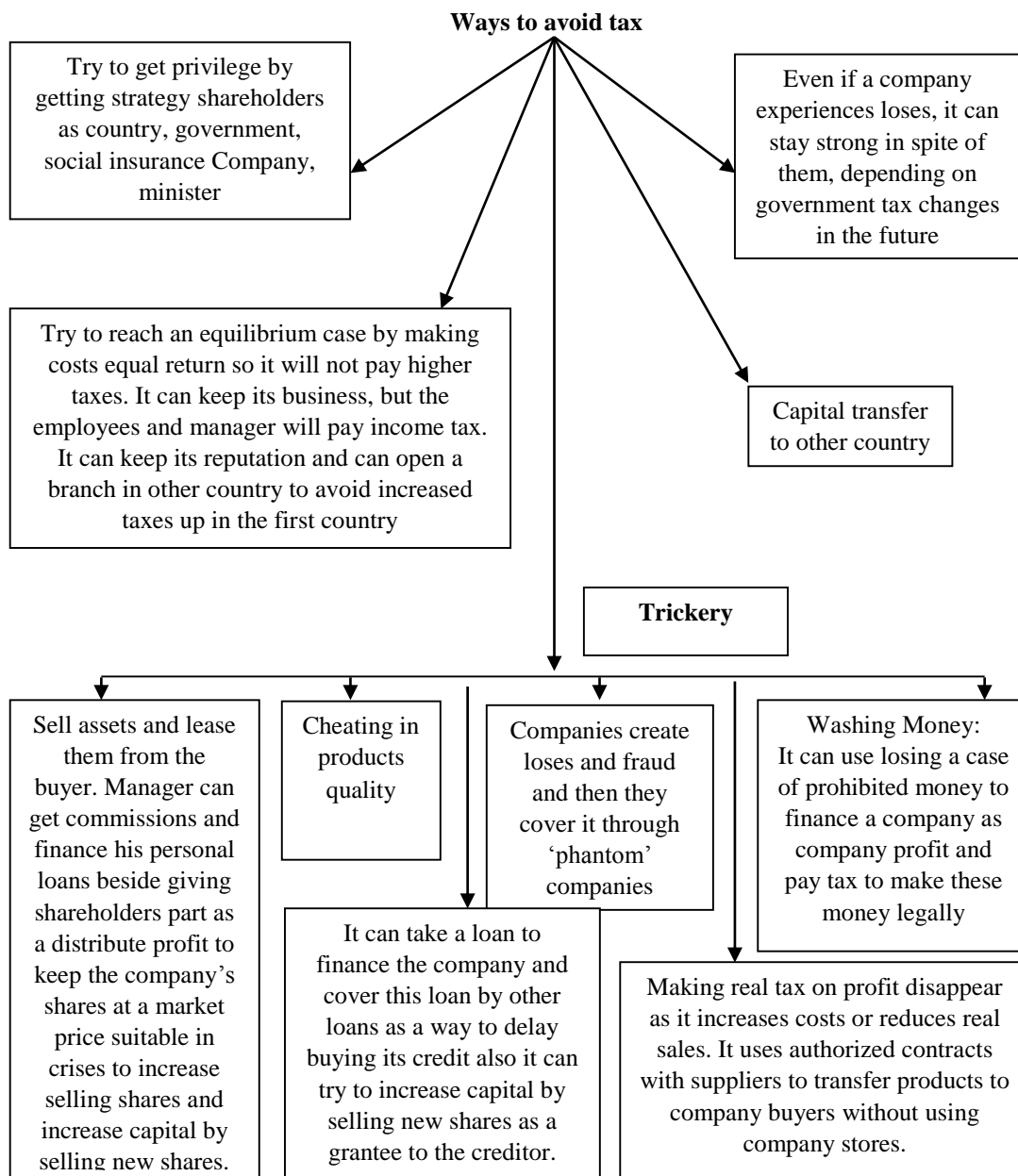


Figure 1. Company ways to deal with tax

5. Model of a revaluation of how private companies search for crises solutions

There is a need to control and watch companies while developing their strategy to solve crises. This model must show general budget expenses, return, monetary policy and financial policy. As result to managing general budget there is a flexibility to make adjustments and can be supported by monetary and financial policy.

Table 1. Evaluate local private companies' standards in the country's tax environment country and credit planning

Country Planning		Evaluate local private companies' standards: Did the companies added these values in the policy environment of country planning?
To pull money (as in inflation) - Increase Tax - Reduce credit size	To push money (as in depression) - Reduce Tax - Increase credit size	
It must increase these value standards	It must increase these value standards	Citizens needs of value: - Products - Savings - Investing
		Companies' value: - Human resources - Assets value - Reduce liabilities - Establish fair prices
		Public welfare value: - Increase advantages for users - Maintain public ownership
		Financial market value: - Increasing daily dealings - Developing safety tools - Increase market segmentation to meet needs - Increase company number to manage risks
		General Budget success managing value - Reducing Expenses - Increasing Returns
		Country resources' value - Increase land value - Increase capital value - Increase workers' value
		International dealing value: - Keep or increase international relationships - Increase international Investing - Increase international savings

These aspects mean that companies must get involved in increasing these value standards. As a result to these standards there will be a way to evaluate local private companies as a way to solve crises and discuss if they deserve to get support or not. See table 2.

Table 2. Evaluating the success of local private companies to solve crises

No	Success factors up for evaluation	Degree of success
1	Covering citizen needs to reduce effect of monopolizing products in international markets and reducing import	
2	Covering international needs to increase export, increase reserves of foreign currency and make good relationships with countries as promoting products with high quality	
3	Increasing human resource experiences to increase their value by training and teaching	
4	Reducing other companies' costs as insurance companies, suppliers or technical players	
5	Promoting good resources for tax	
6	Having the experience to use liquidity in suitable investments therefore a government can help a country to apply pushing money policy	
7	Reducing unemployment	

8	Increasing other companies' ability to share in crises solution	
9	Increasing financial market value as a result to develop financial tools and investment tools with suitable safety and can have a good reputation to sell and buy shares which come as a result to increase its assets' value and profit after tax value.	
10	Increasing public ownership advantages and support its maintenance	
Total		

This table (Table2) shows a company value to get support to contribute in crises solving beside the control of unsuccessful companies to apply this table practically in order to serve support. To use this table there needs to be full disclosure. This can be done if companies apply human resource accounting and methodology. It relates to a company's success of retaining valuable human resources because the employees are ones who understand their work's advantages and disadvantages so they can give information and details fairly (Fariborz and Raiashekar, 2011).

6. Standards to Achieve Success by Government and Private Companies Contributions in Production

Some countries aim to reach a self-sufficient level by increasing employment, local investing, and local savings besides avoiding international negative changes so a country can study the effect of its support and can compare with its choice of international companies. Bad expectations will increase the support to local companies rather than to international companies. The next table (Table 3) explains effects of different possibilities to cover citizens' needs by sharing government, international companies and local companies.

Table 3. Effects of a country's management of covering citizens' needs on its economic risk

Ways of covering citizen needs	Effects on a country's economic situation	Needs of success	A country's job	Risk
Only by local companies	The economic situation becomes affected major by local factors as in self-sufficient case	Experiences and resources at a suitable cost	Direct and control on production to meet citizen needs up to quality standards and safety	There are limits by fair country directing and controlling
Only by international companies	The economic situation becomes affected by international factors as in consumer countries	Negotiations can limit international risks by conditions such as using local workers and giving local managers more experience	Direct and control on production to meet citizen needs up to quality standards and safety. It may have to contribute to establishing the managing of international companies	There is the possibility to transfer capital, workers and lands as a result to covering international sales rather than local needs and monopolizing of products to get power in the country
By local companies and international companies	Increasing the effects of factors to international changes	Balance between international companies aims, local companies aims and country aims	Direct and control on production to meet citizen needs up to quality standards and safety. It may have to contribute to establishing the managing of international companies	International companies can transfer capital and monopolize products to get power in country and there is possible to lose local companies competition ability and investing
By government investing, local companies and international companies	The government will have an effect on the economic situation as an investor or stakeholder with companies	Balance between international companies aims, local companies aims and country aims and there must be a limit of the rules and to fairly reduce the factors that change government policies	It becomes an investor, director and controller of production to meet citizen needs up to quality standards and safety. It may have to contribute to establishing the managing of international companies	Missing the balance as a result to the weakness experienced or rating will lead to the loss of investing and experiencing international problems as a result to face international companies expecting certain rights

7. Conclusion

As a result of this study, companies can get government support and may reach aims of solving crises or make unfair activities (trickeries) to get unfair profit beside government support which increases depression. It is important to evaluate local private companies to help government in solving crises up to their limits or it will increase general budget deficit as a result of the support of these companies. There are certain limits: the necessary experience in developing the strategy, the necessary general budget to support the conditions, fair dealing with tax, and clear company responsibilities and duties.

8. Recommendation

As a result of this study, there is a need to evaluate companies' contribution in solving crises. The researcher suggests the use of three tables which will be presented in this study, as models to evaluate the fair general budget policies, the ability of local private companies to get support, and also to evaluate the sharing between companies and government. These tables are important and need to be monitored and can provide direction for companies to a condition which is to cover citizens' need locally, at appropriate prices, at a suitable time and place. On another hand, a figure displayed in this research can be used to watch a company's reaction in crises.

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