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CORPORATE MANAGEMENT, CONTEMPORARY DEVELOPMENT PROCESS OF THE ECONOMY

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Abstract

The level of integration and interconnectedness within states and societies is steadily rising, so goods, capital, people and knowledge easily overcome existing obstacles. The process of corporate management systems is improving, but is also bringing certain problems. One of the important determinants is managing the human resources process, skills and creative abilities to properly manage the overall processes of the organizations in the economy and the public sector, thus achieving its efficiency and effectiveness where the modern corporate management principle points to the fact that the most important capital is the intellectual, which at the same time provides a wealth of knowledge.

Changing needs is an opportunity that represents a different approach to thinking both at an organizational and at an individual standpoint. The advancements in economic, political and cultural processes lead to the shift of the boundaries for understanding the contemporary ways of their acting and functioning. Special emphasis is placed on employee relations, ethical management, market relationships, environmental relationships and community investment.

Key words: integration; knowledge; management; market; investment

JEL: M10, M16

Introduction

Corporate management today faces many changes that affect the way of living and working of not only of businesses and the public sector, but also of individuals. We are contemporaries of many social changes that affect the social, economic and political life of every state. The process of corporate management constantly develops. Global processes also develop. Many technical and technological advancements happen every day. Communication systems develop. It leads to the need and transformation within the social life, as well as to the overall process of managing the organizational systems, which are an integral part of

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social systems. So, the complete changes that occur in all spheres of activity, not only in the developed but also in the less developed economic entities, impose the need for a modern management approach that needs to be analyzed, more like humanistic learning in order for the organization to ensure and properly utilize all available resources as a key element for its growth and stable development.

Managing as a human resources process is one of the important determinants for the proper management of the overall processes of the organizations in the economy and the public sector, thus achieving its effectiveness and efficiency. It is a need that is a necessity in different spheres of organizational action. According to the traditional understanding of capital, it refers to the money, production, and profitability of business entities, and all processes are directed at doubling them. The modern principle of corporate management points to the fact that the most valuable asset is the intellectual, which at the same time provides a wealth of knowledge, skills and creative abilities, as a condition for raising the quality standards of the products and their work, thus ensuring essential quality and increased competitiveness on existing domestic and non-domestic markets. Emphasizing on quality, it follows that every organization, public sector corporation, service or business sector needs a modern approach in managing corporate organizations with the most important human resources.

Social responsibility of companies becomes an important link for successful business, both in a global framework and in the Republic of Macedonia, as it defines it as the responsibility of a company for ensuring influence of its decisions and activities on society and the environment. This is achieved through transparent and ethical behaviour that contributes to sustainable development and takes into account stakeholder expectations and complies with international norms and is integrated across the enterprise.

Corporate management – a product of market capitalism

Corporate management as a framework, or as a corporate constitution, is of course a fundamental tool in the corporate governance process. In fact, corporations are its essential element and at the same time the centre that brings together all the activities, processes and interests that take place within the framework of corporate management. So corporate management is a product of developed market capitalism, to whom the companies are the most exposed representatives (Sadzak, 2001).

The main reason for the increasing trend and analysis of corporate management issues in companies in recent years in developed and developing countries is the fact that the completion of the privatization process of socially owned and part-owned enterprises highlights the challenges of effective regulation the relationships that are established within the companies themselves, but also the relationships between the companies and the community.

All market economies have faced this kind of challenge, including those with the longest tradition. The same challenges are present in the Macedonian market economy. It is about the relationship and ownership of capital, the decision-making on how to manage that capital, the way in which decision-making powers are delegated, how decisions are executed and how their control is enforced in order to protect the ownership and owners of capital. These relationships include the communications system that companies develop and maintain with business partners, the government, creditors and the civil environment.

The owners of capital constantly strive to increase profits; the management tries to maximize the reward they receive for managing the company. It is important for lenders to invest and secure their return on the most favourable conditions for them.

The government, on the other hand, is persistent in collecting taxes and contributions, and investors try to determine if the company would be a good place to invest their funds, and so on. However, by introducing good corporate management in companies, conditions are created to reduce the conflicts that exist between the goals and interests of the various parties involved at the lowest or most acceptable level. Second, another reason for the introduction of corporate governance in Macedonia is the opening of the Macedonian economy to world markets and thus its incorporation into globalization processes. The third reason is globalization, which puts strong pressure on the application of principles and ways of conduct in many areas and, of course, in the field of corporate behaviour. In this sense, corporate management based on global standards can be understood as the introduction of a model of company behaviour that is understandable to any global market participant, wherever it comes from (Sadzak, 2002).

The acceptance of corporate management means nothing else but standardization of the processes, procedures and behaviours of companies, which are based on the principles of accountability, transparency and control in decision making, day-to-day working and reporting on the situation in the company. In companies with good corporate management, decisions are made not only in order to achieve the economic interest, but also in order not to harm the interests of the other parties involved. One of the most important characteristics of companies that have introduced good corporate management is the commitment to maintain a high degree of transparency that is demonstrated through constant reporting on the situation in companies. In corporate management terminology, such transparency is known as disclosing company data and information. Good corporate management companies adhere to specific reporting rules.

Economic aspects of corporate management

The relationship of interest groups from an economic context viewed through the prism of those who are and those who are not shareholders of the company, can often be said to be multifaceted and complicated. If, however, we only analyse the party that holds shares in the company, i.e. shareholders, then it can be said that a series of arguments is on their side in the context of taking the lead role in the company. Namely, they are by definition risk-takers and authorized to acquire the company, i.e. they should also be the bearers of the decision-making process, i.e. its supervision (expressed or not expressed through the existence of corporate management mechanisms), in order to achieve needed quality of decision. In this sense, there is also a process of delegating their management competencies due to the lack of the needed professional knowledge necessary for managing the company. Of course, the management authorization process can also cause problems such as the independence of management and actually taking actions that are only in their own interest and not in the interests of shareholders, which in turn implies the establishment of an effective composition of control by shareholders.

The argument for a dominant role in the process of managing the company by the shareholders is their position towards third parties which means only a representation of the company that third parties consider serious because shareholders have fundamental rights and obligations and they are a serious partner for negotiation and operations. Another additional reason for giving shareholders a dominant position in companies is their real desire to preserve and increase their stake, which is actually the direction and size of other interest groups. In order to achieve this goal, shareholders are forced to realize adopted development strategies, or invest capital. This point is especially important for shareholders and management, because it is management who has a positional, higher interest in investing capital and getting investments, i.e. developing a company.

As a summary of the previous statement we can state three reasons why shareholders should actually have a dominant position in the management process of the company because they have realistic:

a) interest in quality and effective decisions as they invest their capital in companies, b) the very capital that they invest in companies is actually an investment for them, which they expect not only to provide a return, but also to make a profit, and c) such a position of the shareholders is also a good orientation for the potential investors who are less afraid to invest their capital in a particular company (Gordon, Roe, 2004).

For the dualism and the often ambivalent relationship between stakeholders and shareholders to be avoided, according to Schmidt H. Weiss, it is necessary to determine the relationship between them by specifying the sphere of rights, responsibilities of one and the other interest group, and especially management, such as specific interest groups in the company. (Management is both a representative agent owner, but also a representative of other interest groups, and is sometimes a shareholder alone). When identifying the distinction between shareholders and stakeholder, it is necessary to take into account complementarity which means the ability to express and take on the values of a composition, as well as consistency, the ability to adjust certain values to different values. In this case, it is necessary to download and adjust the value of the outsider, and the composition of the shareholders whose functionality rests on market mechanisms, i.e. the possibility of protecting shareholders' rights through the use of an exit-strategy and an insider, dual-stakeholders structure whose functionality rests on social-market mechanisms, with the option of protecting shareholders' rights through the application of a voting strategy. An example from the financial sphere can be instructive in this view, because precisely in this area outsider compositions in which capital financial structure are dominant can be synergistically joined with the insider compositions in which bank-oriented financial structure are dominant. Given the results of the research, the positive effects of applying the elements of combining the two components (complementarity, consistency) i.e. market efficiency is also achieved and pluralism of interests is satisfied (Sadzak, 2000).

Another good method for effectively calming down interest groups within the company is to create some kind of interesting market and work, created through company culture, equitable distribution of profits, but will also protect the company from hostile takeovers that have often been present in the 80s, as a consequence of the increase in shareholder value, i.e. the redistribution of their profits and benefits.

Corporate identity, leadership and innovation

Contemporary 21st Century Business and Public Development Processes represent a strategic requirement for corporate identity, leadership and innovation as individual versus radical change, analysed as strategic types, elements of change, new products and services, structural change, culture and other implementation strategies of them.

Nowadays every company has to make changes and innovations in order to survive. New discoveries and innovations have quickly replaced the standard way of doing things. However, many large, proven corporate enterprises have a hard time to be entrepreneurs and constantly look for ways to foster change and innovation so as to keep up with changes in the external environment.

The pace of change has been revealed in the fact that parents of today's students have grown up without debit cards, smart phones, instant messaging, the internet, supermarkets with self-service systems. The idea of communicating immediately with people around the world was unthinkable to most people, as recently as decades ago.

Many organizations respond to global forces by adopting self-managing teams and horizontal structures that improve communication and collaboration, target supply and distribution channels, and overcome time and place barriers through IT e-business. Others engage in joint ventures or associations to exploit opportunities and expand operations and markets internationally. Some of them adopt structural innovation as a virtual network approach to focus on their core competencies, while external specialists handle other activities. In addition, organizations today face the need for dramatic strategic and cultural change and rapid and continuous innovations in technology, services, products and processes. Corporate management techniques that influence the creation and implementation of change are outlined below:

Corporate changes

Managers can focus on four types of change within corporate organizations to achieve strategic advantage. These four types of changes are products and services, strategy and structure, culture and technology. Each company has a unique configuration of products and services, strategy and structure, culture and technologies that can be targeted to maximize impact on the company's chosen markets (Project report, 2009).

Technological changes are those that are in the process of producing an organization, including their knowledge and skills base, which provide distinctive competence. These changes are usually designed to make production more efficient or to produce more volume. Changes in technology include techniques for making products or services, such as working methods, equipment, and workflow.

Product and service changes include the products or services of an organization. New products include minor adaptations to existing products or completely new product lines. New products and services are usually designed to increase the market share or develop new markets, customers or clients.

Strategic and structural changes relate to the administrative domain of an organization. The administrative domain involves overseeing the management of the organization. These changes include changes in organizational structure, strategic management, policies, remuneration system, labor relations, coordination devices, management information and control systems, accounting and budgeting systems. Structural and systemic changes are usually from top to bottom, i.e., authorized by top management, but production and technological changes can often come from the bottom up. Corporate reductions and changes in horizontal teams are often examples of top-down structural changes.

Changes in culture refer to changes in the values, attitudes, expectations, beliefs, abilities and behaviour of employees. Cultural changes also refer to the changes in the way of employees' thinking, it is a change in the mental composition, not in technology, structure or products. Four types of changes are interdependent - change in one means change in the other. New products may require changes in production technology or changes in structure may require new work skills.

⇒ **Ideas.** No company can stay competitive only with new ideas. Change is an outward expression of those ideas. The idea is a new way of doing things. It may be a new product or service, a new management concept or a new collaborative working process within the organization. The idea can come from within or from outside the organization. Internal creativity is a dramatic element of organizational change (Ash, 2004). Creativity is the generation of new ideas that can meet perceived needs or respond to opportunities.

⇒ ***Needs.*** Ideas are generally not taken seriously unless the need for change is perceived. Of course the need for change occurs when managers perceive a gap between actual performance and desired outcomes in the organization. Managers try to establish a sense of urgency so that others will understand the need for change. Sometimes the crisis provides an undoubted sense of urgency. In many cases, although there is no crisis, managers must recognize the need and communicate with others. One study of innovation in industry firms, for example, suggests that organizations that encourage greater customer attention and market conditions and support for entrepreneurial activities produce more ideas and are more innovative.

⇒ ***Adoption.*** Adoption occurs when decision makers choose to go ahead with the proposed idea. Key managers and employees need to be in agreement to support change. For major organizational changes, the solution may require the signing of a legal document by the board of directors. For a minor change, approvals can happen with informal manager approval.

⇒ ***Implementation.*** Implementation occurs when members of the organization actually use a new idea, technique or behaviour. Materials and equipment may need to be procured, and workers may need to be trained to use the new idea. Implementation is certainly the most important step, because without it, the previous steps would be useless. Implementing change is often the most difficult part of the change process. Until people start using the new idea, no change actually happens.

⇒ ***Resources.*** Human energy and activity are immanent in contributing to change. Change does not happen by itself, it requires resources, time and energy to create and implement a new idea. Someone has to develop a proposal and provide time and effort for its implementation. Indian software and business process outsourcing giant Vipro has a central innovation council that provides the tools for innovative ideas. The company has a special unit, the "Quantum Innovation Centre", where external consultants help bring new ideas to the market.

⇒ ***Technological corporate change.*** Some of the techniques used by companies to maintain an ambidextrous approach involve switching to structures, separate creative departments, risk teams and corporate entrepreneurship.

⇒ ***Switching structures.*** Transfer of structures occurs when, for example, the mechanical structure creates an organic structure for the introduction of new ideas.

⇒ ***Creative departments.*** In many large organizations the innovation initiative is assigned to separate creative departments. Personnel departments, such as research and development (R&D), engineering, system design and analysis, are making changes to other sectors. The departments that initiate change are organically structured to facilitate the creation of new ideas and techniques. The departments that then use these innovations tend to have a mechanical structure that is more suited to efficient production.

⇒ ***The incubator of ideas.*** Another type of creative department is the idea incubator, a popular way to facilitate the development of new ideas within the organization. The ideas incubator provides a safe place so that the ideas of employees in the organization can be developed without interfering with company policy or bureaucracy. The incubator gives people in the organization a place to turn instead of buying a new idea throughout the company and hoping someone will pay attention. Companies like Intel India, Microsoft, Philips in the Netherlands use incubators to support the development of creative ideas.

⇒ ***Risk teams.*** Risk teams are a technique used to give complete freedom to creativity in organizations. At-risk teams are often given separate locations and facilities so they are not limited by organizational procedures. The risk team is like a small company within a large company. Numerous organizations use the concept of risk teams to free creative people from the bureaucracy of the big corporation.

⇒ ***Corporate Entrepreneurship.*** Corporate entrepreneurs strive to develop an internal entrepreneurial spirit, philosophy and structure that will produce more than the average number of innovations. Corporate entrepreneurs can incorporate creative departments and new risk teams, but they also try to release the creative energy of all employees in the organization. Managers can create systems and structures that foster entrepreneurship. An important outcome of corporate entrepreneurship is helping the champion get an idea. This goes by a variety of names, including an agent, entrepreneur, or change agent. Idea - champions provide time and energy for some things to happen. They struggle to overcome the natural resistance to change and convince others of the credibility of the idea. Idea-champions do not have to be within the organization. Some companies have found that nurturing idea-champions from the consumer line-up can be a very successful approach (Petoski, 2003).

Competitive advantage

The rapid development of new products becomes a major strategic weapon in changing the international market. To stay competitive, companies learn to develop ideas into new products and services incredibly quickly. Whether the approach is called a model of horizontal connectivity, competitive engineering, parallel access or simultaneous merging of departments, the point is the same - people working together at the same time on a project, not in a sequence. Many companies are learning to sprint into the marketplace with new products where, time-based competition means providing products and services faster than competitors, giving to corporate companies a competitive edge. Some companies use fast cycle teams as a way to support very important projects and deliver products and services faster than competitors (Boneva, 2016). Thus some companies create rapid cycle teams which are multifunctional, hard-working, provided with high level company resources and empowered to deliver accelerated product development projects.

Structural change

Previously, the main focus was on new manufacturing processes and products that are based on the technology of an organization. The expertise for such innovations lies in the technical core and the professional staff, such as research and engineering. This section addresses the examination of strategic and structural changes. All organizations need to make changes to their strategies, structures, and administrative procedures from time to time. In the past when the environment was relatively stable, most organizations focused on small, partial changes to solve problems immediately or take advantage of new opportunities. However, over the past few decades, with globalization and technological innovations turning over traditional organizational models, companies around the world have faced the need to make radical changes in strategy, structure and management to adapt to new competitive demands. Many organizations reduce the layers of management and decentralize decision making. There is a shift towards more horizontal structures, with teams of frontline workers empowered to make decisions and solve problems themselves (the Economist, 2003). Some companies are completely detached from traditional organizational forms and switch to virtual network strategies and structures. Numerous companies are reorganizing and relocating their strategies as e-business expansion changes the rules. Global competition and rapid technological change are likely to lead to an even greater rearrangement of strategy and structure over the next decade. These types of changes are the responsibility of the organization's top managers, and the whole process of change is usually different from the process of innovation in technology or new product

Cultural change

Organizations are made up of people and their relationships with one another. Changes in strategy, structure, technologies and products do not happen by themselves, and changes in any of these areas include changes in people as well. Employees must learn how to use new technologies, market new products, or work effectively in a team-based structure. Sometimes reaching a new way of thinking requires a change in the underlying corporate cultural values and norms (Porter, 1985). Changing corporate culture substantially shifts the workings of an organization and generally leads to renewed commitment and employee empowerment and a stronger relationship between the company and its customers.

A number of recent trends have contributed to the need for ***cultural transformation*** in companies seeking change in the culture and mentality of employees, including reengineering and shifting to horizontal forms of organization, greater diversity of employees and clients, and a shift to a learning organization.

Reengineering involves redesigning a vertical organization along its horizontal workflows. This changes the way by which managers and employees need to think about how it works and requires greater attention to employee empowerment, collaboration, information sharing and the need to meet clients. Michael Hammer in his book Reengineering Revolution, points to people's change as "the most difficult, boring, disturbing and confusing part" of reengineering (Forsyth, 2016). Managers can face powerful emotions as employees respond to rapid, major changes with fear or anger. In a horizontal organization, frontline managers and workers need to understand and embrace the concept of teamwork, empowerment and collaboration. Managers change their thinking to see workers as colleagues, and workers need to learn to accept, not only greater freedom and power, but also the higher level of responsibility that comes with them. Mutual trust, risk-taking, and tolerance for error become key cultural values in a horizontal organization.

Diversity is a fact of life for today's organizations and many of them implement new recruitments, mentoring and new promotion methods, a variety of training programs, tough policies on sexual harassment and racial discrimination, and new benefit programs that suit different workforces. Organizations move beyond the concept of "diversity management", which emphasizes the difficulties associated with diverse workforce, in the direction of diverse leadership, where companies take the lead in promoting and supporting diversity, both within and outside organization.

Concluding considerations

The data obtained and the results fully and unambiguously confirm the need for the research, by which the set goals are achieved. What can be concluded and gained as experience from the research process is the fact that in the areas of the Republic of Macedonia a culture and awareness of the importance of corporate governance has not been built yet.

The research provided insights into very important and indicative findings. The processed material, facts and data indicate that of primary importance what is necessary is solving the problems of the organization. Therefore, the following conclusions are identified as priorities:

1. The directions, future and perspectives of corporate organizations are in innovative organizations that are decentralized, informal, with a minimal number of hierarchical levels and very often with a social rather than specialized focus.
2. Corporate organizations have a vision and visionary organizations value and they use people's creative talents better.
3. Corporate organizations change because they see better ways of working, not because they have to change.
4. Corporate corporations are always looking for new products, new markets and new ways of working.
5. Corporate organizations prefer content over form.
6. Corporate organizations embed creativity and innovation in them.
7. Innovative corporate organizations have organizational structures that are often built on a team rather than a hierarchical principle.
8. Corporate organizations prefer open communication prior to formal procedures and processes.
9. Corporate organizations do not personalize conflicts.
10. Corporate organizations focus on who you know as well as what you know.
11. Corporate organizations value individuality and diversity.

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