MANAGER CORPORATE GOVERNANCE AND BUSINESS MODEL

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EMANUELA ESMEROVA
European University – Skopje, North Macedonia
E-mail: emaesmerova@yahoo.com

ABSTRACT

In the enterprises with good corporate governance, decisions are not made solely in order to achieve economic interest, but also in order such decisions do not hurt the interests of other parties involved. By introducing good corporate governance in enterprises, conditions are created for reducing conflicts that exist between the objectives and interests of the various stakeholders at the lowest or most acceptable level. Another reason for actualizing corporate governance in Macedonia is the opening of the Macedonian economy to world markets and, hence, its joining the processes of globalization through the use of business management models.

Key words: enterprises, corporative, business models, management models and economic.

Introduction

The introduction of corporate governance does not mean anything else but standardization of processes, procedures and behavior in companies, which is based on the principles of responsibility, transparency and control in decision-making, everyday operations and reporting on the situation in Macedonian enterprises.

As with any other standardization, its goal is to reduce the uncertainty and the risk of entering into relationships with enterprises, and in this case, the goal of increasing trust in small, medium and large enterprises is particularly important. Acceptance of such a standardized approach to managing and running a business brings enterprises a particular kind of value added - a value derived from working within the ethical framework.

1. Managerial corporate governance

One of the most significant features of companies with good corporate governance is their commitment to maintain a high degree of transparency that is demonstrated through continuous reporting on company situations. In corporate governance terminology, such transparency is known as disclosure of data and information for companies. Companies with good corporate governance adhere to specific reporting rules. This has particular significance for companies that venture into the capital market. In order to make a decision on whether to invest in a company, investors want to be sure where they invest in order for them not to incur damages or losses. Standardized data disclosure and information systems for companies, together with standardized practices in the operation of companies in general, provide investors with confidence that the investment is carried out in conditions of minimized risk. In order to achieve the goal of fair, correct and transparent market relations, a process of approximation of regulations related to corporate governance was initiated. You can understand this process as introducing a corporate language that can be understood by all market participants. This is achieved by building regulations in countries based on principles for which an agreement has been reached internationally. When developing its own regulation, each country should start from the specifics of its corporate environment, but at the same time, it should work as much as possible to build on the generally accepted standards and principles. Adjusting regulations to principles agreed globally means, in large part, accepting a common framework for good corporate governance in companies.

Purposes of corporate governance are:[1]

1) to help businesses and banks improve the practice of corporate governance,

2) to support public sector institutions to establish effective corporate governance frameworks and

3) to help educational institutions incorporate content for corporate governance into their curricula. Helping the development of good corporate governance practices in Macedonia helps the country to increase its attractiveness to investors.

Good Corporate Governance contributes to sustainable economic development by improving the performance of companies and their access to external sources of capital. This increases the profitability of enterprises and ensures faster growth. Good

[1] Andrei Shleifer, Robert W. Wishny, "A Survey of Corporate Governance", *The Journal of Finance*, 2007, p.18.

Corporate Governance should provide appropriate support to the board of directors and management to achieve the goals that are in the interests of the company and shareholders. This way they should provide effective monitoring, and thus encourage the firm to use its resources effectively.

The basic principles of corporate governance accepted under the code of the small, mid and large enterprises that use business models are:[2]

- Principle of protection of the rights and interests of the sole shareholder,
- Principle of effective management,
- Principle of effective control of financial and economic activities,
- Principle of transparency and objectivity of publication of information on MBDP,
- Principle of legality and ethics,
- Principle of social responsibility,
- Principle of division of responsibilities,
- Policy of resolving corporate conflicts,
- Principle of effective interaction with employees and fair compensation,
- Principle of diligence and responsibility,
- Protection of personal data,
- Corporate advisor.

2. Business model in enterprises with corporate characteristics

The reason for the interest in business models comes from two opposing sides: companies need to find new and innovative business models so they can deal with competition and prevent revolt (revolution) in the branch itself. Entrepreneurs want to find new and innovative models in order to be able to create new subjections in the business they are in.[3] The concept of a business model is actually auxiliary tools for strategic analysis tailored to the competitive business community. Helps to increase the capacity of companies quickly and continuously adapt to changes in the environment and at the same time introduce new ideas in their business model.

[2] Adolf A.Berle, Gardiner C. Means,The Modern Corporate and Private Property, fifth printing, 2013.

[3] Scott D. Anthony and Clayton M. Christensen, Innovation Handbook: A Road Map to Disruptive Growth, “The Road to Disruption”, Harvard Business School Publishing, 2005, p. 49.

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Business is a category closely related to new ideas and innovations, as well as efforts to transform those innovations into economic goods[4]. Entrepreneurship of various types of businesses in society is the driving force for the growth of the economy, contributes to the reduction of unemployment and paves the way for progress. It is a process of examining market opportunities, planning, organizing and anticipating, which also implies undertaking independent risk.

The role of entrepreneurial businesses is based on innovation, which can be a new product or service, but also an innovative business process. A successful entrepreneur is willing to take risks, is motivated to achieve success, is not discouraged by failure, and is firmly determined to be a step ahead of competition through business models.

The economic growth engine is the private sector, while the pillar and driver of the private sector are entrepreneurs with business models. But in order to have sustainable economic growth, it is necessary to create an innovative and entrepreneurial society.

Managers of successful enterprises, today, are aware that the competitive advantage of their enterprises depends primarily on what the manager knows, how he uses what he knows, how quickly he can learn something new, etc. Business model is the basis of the business plan, something that will fully simplify the planning process because the main features of the business with basic calculations are at least the cost, revenue and profitability that can be seen through a business model.

The business model is focused on 4 main elements of one business: consumers, supply, infrastructure and financial sustainability of the business.[5] On the one hand, the initiators for the application and development of business models, and on the other those who are considering the business plan and decide whether to give us financial means or to see through the presented precise business model will be a profitable business for our companies.[6]

[4] Zakic, N.; Jovanovic, A.; Stamatovic, M.; *External & Internal Factors Affecting the Product & Business Process Innovation*, Economics & Organisation, 2008, pp. 20-21.

[5] *Zakic, N.; Jovanovic, A.; Stamatovic, M.;* External & Internal Factors Affecting the Product & Business Process Innovation*, Economics & Organisation, 2008, pp. 20-21*

[6] Alexander Osterwalder (2004). The Business Model Ontology - A Proposition In A Design Science Approach, p. 125

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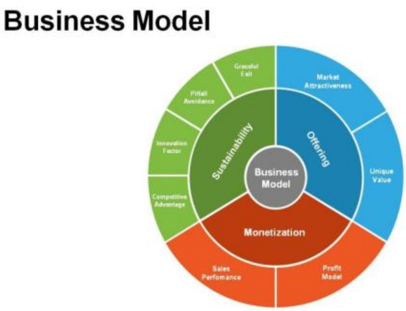
Picture nr.1 Ilustration Busines model



Sources: Hatten T. S., Small Business Management, Entrepreneurship and Beyon, Hougton Miffin Company, USA, 2006, p. 201

Real managers need to take account of another key resource: knowledge. Knowledge is the only resource that is not consumed by use, but increases. The dynamics of today's operations fully affirms the importance of the application and use of business models.

Knowledge of managerial business modeling is the only permanent resource for preserving the competitive advantage in the new economy and therefore it is necessary to manage them. In doing so, the question arises: how to increase human capital? The answer, of course, is in the continuous learning process through which the employees of the enterprises should pass. Measuring the value of managerial human capital is a necessity and therefore it is necessary to develop modalities for its application. Every business has its own model. A business model is a way of doing business. For example, for a merchant, a business model can be procurement, exposing, marketing, sales.

This business model shows:[7]

- How much of your personal assets have been invested in the business?
- How much funds is needed in advance?
- How will you provide them?

[7] Alexander Osterwalder (2004). The Business Model Ontology - A Proposition In A Design Science Approach, p. 125

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- How much capital is invested in the business?
- Is it profitable?
- How much of the funding will be provided through loans, investors, business partners or government investments?
- Will you allow lending to customers?
- How often do you perform a supplier analysis?
- What is the policy of charging and lending to buyers?

Cost advantages

- What are your distributor and suppliers?
- What are distribution channels?
- Are the procurement costs fixed or vary?
- If they vary how you deal with them?

A good business innovation definition, then, would be: business innovation involves developing new products or improving existing technologies, processes, designs and marketing to solve problems, increase efficiency, reach new customers, and ultimately increase profits. Inovation is the process of making (something) new or doing something in a new way. In business, innovation also has to include the concept of improvement; to innovate in business is not just to do something differently, but to do or make something better.

The business model needs to be a dynamic model, adjusting the interplays to accommodate changes in the environment such as competitor threats, supply constraints or opportunities, and changing customer requirements. A business model is the strategy that a company uses to generate revenue from its product or service offering. How it works (Example): Companies follow different business models depending on their products and services. Companies choose or invent the model that will generate the most profit.

Conclusion

A modern business model is a device that will lead the business on the road to success and contains one element important for both the business model and the business itself, and that is the risk. There are many external factors when it comes to an entrepreneur and a business that has an impact on the achievement of the set and the results of that accomplishment. It is these factors that need to be looked at through the risk prism so that we can implement an appropriate risk management process in the period of implementation of the business plan. In business planning processes, the

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risk is that certain elements of a business model may not be implemented as planned, which can result in dangerous or bad consequences.

The basic characteristics of the business model's risk are:

1. The risk is partially unknown - The work of an entrepreneur will be too easy if you can easily predict the risk. The biggest problem is that he is partially unknown because he is about the future.

2. The risk changes over time - Business works in a dynamic environment and we can not expect that the risk will be something of the default except that it will always exist.

3. Risk can be predicted - The risk is something that if we want, we can predict it through a systematic process.

4. Risk can and should be managed - Through appropriate analyzes of appropriate business elements, resources can be channeled to eliminate or reduce risk in the appropriate area where it is expected to appear.

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