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BUSINESS ENTERPRISES AND ORGANIZATIONS AS A BUSINESS ENTITY IN THE GLOBAL MARKET

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Abstract

This research aims to explain in more detail the enterprises and business organizations as business entities in the global market. Every enterprise or organization, to survive and achieve success in the global market, must rely on legal subjectivity. This review is not easy as it is based on comparative analysis of laws, however, this will not be an obstacle to trying to establish the most essential facts, which will provide us with valuable information about the subjectivity of the business organization.
The paper also examines the national legislation based on which the form of business organization is determined and the conditions that organizations must meet to gain the legal-business capacity to operate or operate in both the local and global market.
Also, in this paper is seen the division of business organizations and their meaning, where special emphasis is given to the part of corporations which together with their divisions and subdivisions are treated in more detail

Keywords: business organization, legislation of the Republic of Macedonia, global market, competition, monopolies, etc.

1. Understanding of organizations according to business law

The functioning of contemporary societies is related to the production and provision of services in the market and enables the fulfilment of human needs in various forms and levels. As the main bearers of this activity, viewed from this perspective, are presented as entities of special importance in enabling the functioning of human society in the form we know today. In fact, without them, it is almost impossible to imagine the functioning of contemporary societies around the world (Aziri, 2020). Enterprises in the organization of economic activity can be classified in different ways. According to the products and services they offer, they create a certain branch of the economy, e.g., Firms in the textile industry, agriculture, tourism, intermediation, etc.

Another alternative to the classification of business organizations is the legal criterion of their organization. The property organization of enterprises is defined by the form of ownership, management structure, type of payment, per factor of production, and how many taxes will be paid with the form of economic activity that is organized.

If we start from this criterion, three types of firms are categorized in the market: individually owned firms, co-ownership, and corporations. In addition to the total number of firms, individually owned firms are more numerous in all national economies, but in terms of sales volume, number of employees, economic and political influence, corporations dominate the national economy and beyond.

2. Business Organizations in Business Relations According to the Legislation of the Republic of North Macedonia

All countries, adapting to the standards and conditions of the market economy, aim, through their laws, as accurately and fairly, to define the enterprise as a legal entity that aims to develop a certain activity and achieve profit. The enterprise has the statute of a separate legal entity, a position without which it is not possible to participate in legal-economic relations in the market. Enterprises, by legal provisions, could carry out one or several activities.

Every legally registered enterprise is an independent organization, has its bodies and assets, designs its development policy and strategy, participates in the business turnover under its name, and decides on possible changes in its position (Skakun, 2002). All laws on enterprise activities incriminate and sanction the misuse of the official position of a legal entity by the directors or owners of enterprises. Some parts of enterprises may have the status of the legal person if this is regulated in the statute of the enterprise. These parts of the enterprise in the field of legal circulation operate under the signature of the enterprise and the contracting party is considered the enterprise. The parts of the enterprise do not have their assets to eventually fulfil any obligation but, they only do business partially and the entire profit is finally calculated in the account of the enterprise.

According to the Law on Business Organizations of the Republic of North Macedonia, the characteristics of enterprises are firm, headquarters and activity.

The economy of the Republic of North Macedonia is mainly dominated by family businesses. They are the biggest contributors to employment and production. In recent years, large family businesses have significantly increased their financial capacity and economic opportunities, but their governance and management structures have remained basic, traditional, and most importantly, inadequate to deal with. their needs for a modern economy. Ownership and management functions are not separate, and family members hold different managerial positions without occupying them deservedly. In most cases, the boards of these companies do not function effectively, and their work is obscured through a lack of accountability and transparency, aided by separate structures where most of the shares are family-owned.

Almost all these companies face serious challenges in their further development and suffer from growth.

Improvements in corporate governance are the key challenges facing these enterprises. Corporate governance, in the sense of OECD principles, is very poorly observed or not at all, causing serious deficiencies in two key areas: the distinction between property and managerial functions, and the unresolved issue of inheritance. Injecting modern principles of corporate governance into their structures and practices is of key importance for their growth, the creation of new employment opportunities, and the increase of their contribution to the economic development of society.

Corporate governance practices lead to the democratization of enterprises and promote the role of the private sector in the democratic development of society. Corporate governance promotes the merit system in recruitment and promotion. It also enhances accountability, transparency, and collaboration as it distributes corporate power.

The concept of corporate governance is relatively new in our country. In most cases, the boards of these companies do not function effectively, and their work is hidden through a lack of accountability and transparency, aided by special structures where most of the shares are in family ownership.

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Although corporate governance has been mentioned in discussions and debates surrounding privatization policy it has not been a focal point of the debate as it has been used mainly to highlight some of the consequences of alternative privatization methods. The legal framework dealing with the issue of corporate governance, especially for private sector companies, is quite weak and unclear and unlike many other countries, no corporate governance code has been adopted in the Republic of North Macedonia.

The following pieces of legislation regulate several aspects of corporate governance between public and private companies of the Republic of Macedonia: Law on Public Enterprises, Law on Banks, Microfinance Institutions and Non-Bank Financial Institutions, Law on Accounting, Financial Reporting and Audit, Company Law.

The Law on Publicly Owned Enterprises has paid particular attention to the issue of corporate governance in these companies by defining the meaning of “independence” for members of the board of directors, clearly specifying the qualifications required of board members, and requiring members of the board to undergo annual training in corporate governance. Also, this law contains provisions for financial reporting, determination of shares and assets, external audit, implementation of fiduciary duties, as well as for some other provisions of corporate governance (Official Gazette of the R.N.M. no.38/96,6/02, 40/03,49/06).

The law on banks, microfinance institutions, and non-bank financial institutions is not well developed about corporate governance. However, it does contain several provisions which address the reporting issues and responsibilities of the financial board. Following the principles of OECD corporate governance, the principle of "openness and transparency", as well as the principle of "board responsibilities" is well defined by the same law. Other principles of corporate governance such as "the role of shareholders" and "equal treatment of shareholders" are addressed little or not in this law. Also, the law on accounting, financial reporting, and auditing obliges private businesses in the Republic of North Macedonia (not only banks and financial institutions) to adhere to some of the principles of corporate governance which are mainly related to financial reporting (Official Gazette of the R.N.M. no.66/07, 90/09, 67/10, 26/13).

The company law contains some specific provisions that are slightly related to the principles of corporate governance. For example, the law obliges limited liability companies to have a board of directors, but this law does not address other issues related to corporate governance, such as protecting the rights of minority shareholders in the business (Official Gazette of the R.N.M. no.28/2004, v25/2007, 87/2008, 42/2010, 48/2010, 24/2011, 166/2012, 70/2013, 119/2013, 120/2013, 187/2013, 38/2014, 41/2014, 138/2014, 88/2015, 192/2015, 6/2016, 61/2016).

3. Corporations and Multinational Corporations

Multinational entities have played an important role in international trade for 300 years ago. Their beginnings meet in British and German trading companies, and after their decline, in European overseas investments mainly in the extractive industry. The phenomenon, as presented to us today, is the result of the large expansion of American companies after World War II and later followed by Western European and Japanese entities (Nace, 2003). Their number is estimated at 10,000, with 9800 branches worldwide. The modern corporation was born to solve the problem of unlimited obligation and limited life that are present in the two analysed forms of ownership. Corporate capital is formed in the sale of shares; hence it is called a joint-stock company. A share is a title deed that indicates the amount of share capital invested by the shareholder, from which derive the obligations and profit rights in the joint-stock company (Kristo,2004). Holders of shares are co-owners of the corporation, but unlike individual businesses, even those with joint ownership have limited responsibilities that d.m.th. They have liability only with the value of the initial investment they have deposited in the company, not with all their assets. In cases where the company goes bankrupt, the shareholder can only lose the initial capital without affecting his wealth. Corporations have several characteristics presented in the table as follows:

Table 1.

Characteristics	**Description**
Separate legal entity	The corporation represents a separate legal entity. Consequently, it can become part of the contractual relationship, with personal rights and obligations. In addition, the corporation can continue to operate indefinitely, i.e., until the act of its liquidation.
Separation of management from ownership	There is a formal division between the management of the company (under the board of directors) and its shareholders. The latter are corporate owners. As they have the collective right to appoint and dismiss directors who are part of the board of directors, they have ultimate control over corporate management.
Limited liability	The defining point of this characteristic is the corporate responsibility for its debts. In other words, shareholders participate in the distribution of corporate profits but are not liable for their debts. Their only financial obligation is to pay the share price. So, in essence, the concept of limited liability shifts the risk of failure from the corporation shareholders to its creditors.
Transferability	The share is easily transferred to the new owner and thus the transfer of rights and responsibilities. Shares of public corporations are usually traded on the stock exchange, which facilitates the transfer itself, while the own possession of shares makes the corporation a very flexible form of investment.
	Source: Kostyuk. N, A, Udo C. Braendele, Rodolfo Apreda, (2007), Virtus Interpress, Corporate Governance, 5

Corporations have a complex business management structure. The highest body is the shareholders' council, which decides on the main issues of its activity. Most votes from the meeting of directors are the executive directors, who lead the sectors, such as production, marketing, finance, etc.

3.1. Corporate advantages: The form of corporation establishment, the way of functioning and that of corporate ownership provide several advantages compared to other forms of business organization. Corporate advantages can be enumerated as follows (Cepani, 2006). Limited liability for shareholders. Unlike the two analysed forms of business (individual and co-owned), the corporation allows shareholders to limit their liabilities to the level of investing in shares, keeping their personal property, which puts at risk all their assets. Transferred ownership. In cases where the shareholder is not satisfied with the profits brought by the corporation, he has the right to sell his shares to the other person. There are cases when the shares of the corporation are exchanged with the shares of another corporation. The exchange is possible, the transfer of ownership has been completed and the work of the corporation continues. Ability to attract capital. The corporation's assets, as well as guarantees to repay the borrowed money, enable the corporation in addition to issuing shares to increase its capital and receive large loan amounts. Extended co-ownership of experience, talent, knowledge, and skills can be effectively realized with the corporation. Unlike individual businesses in which the owner is the sole member of the management, the corporation can be extended to the skills, experience, and knowledge of the employees and the board of directors. In general, corporate owners are also directors (Aziri, 2020).

3.2. Corporate disadvantages: In addition to the above advantages the form of business organization in the corporation and with a host of weaknesses. Weaknesses in corporate economic activity may include the following. High cost in the establishment process: In the establishment of the corporation there is a variety of quotas related to its incorporation, which do not apply to individual ownership and co-ownership. In some countries, the incorporation is done by authorized persons. Corporations are costly to set up: The time from the start of the establishment process to the completion stage can be extended and it increases the cost because the owners must pay for the established procedures in addition to other financial contributions. Double taxes: Corporate income is taxed twice, once as corporate profit and secondly, as personal income tax on dividend distribution (Krasniqi, 2015). Profit can be taxed only once if the profit is not divided into dividends but reinvested.

4. Multinational Corporation

A multinational corporation is the community of a certain number of national enterprises which unify production by managing to offer large quantities of goods in the market of many countries and appear as an important factor in world trade. Capital, knowledge, and many employees are concentrated in them. The primary goal of business owners is to increase profits and accumulate capital through surplus production. Now when the capital in the parent decision cannot be increased with new investments, a new and more suitable market is required in which case the investment funds are transferred outside the borders of the parent country. In this way, multinational corporations have created that control the production of a product in many countries, thus becoming a factor of global connections (Krasniqi, 2015).
The reason for the creation of the first multinational enterprises should be sought in the laws of the market economy and markets in general. The main goal of any entrepreneur is to increase his profits and accumulate capital through a surplus in production. What is logical of It is assumed that their creation was influenced by the fact that what could not be realized in the country of origin

consequently conditions the search for new markets and their transfer across national borders and that is how the first multinational corporation.

4.1. Types of multinational corporations:

Multinational corporations continue to have an important place in the world economy even during this century. National economies have become increasingly dominated by several large companies. The world company has followed the same path. In many sectors of world production (e.g., in agribusiness) the largest companies are the oligopolies with which production is controlled by three or four corporations that dominate the market. A particularly important recent trend is the addition of conglomerates - companies that include many different types of products and services. According to the authors who study these enterprises, they divide them into three types. The first is ethnocentric multinational corporations in which company policy is formulated and, where possible, centrally implemented in the country of origin. Companies and factories owned by parent corporations around the world are the cultural expanses of the company of origin - whose practices are standard across the globe. The second rank polycentric companies, in which subsidiaries in foreign countries are run by local firms in each country. The head offices of these corporations in the country or countries of origin of the parent company outline the basic directions within which local companies conduct their activities. Meanwhile, the last is the multinational geocentric corporations which, in terms of management structure, are purely international. Governance systems are globally integrated and senior executives are mobile, that is, they move from one place to another as dictated by needs.

Most multinational corporations are currently polycentric, but there is a large shift towards the geocentric type (Krasniqi, 2015). Many companies are becoming more and more international. In the following, we will mention them and examine their characteristics. A trust is a form of association of organizations where one of the enterprises leads (the parent company) or directs the subsidiaries (subsidiaries), which are formally independent. Trusts, due to their ability and speed to concentrate capital, have become an instrument for establishing a monopoly position in the market and eliminating competition. In fact, from the negative impact they have reflected on the development of a free and loyal economy for the first time in the US, a series of anti-trust laws have been issued. A cartel is a form of domestic and global market monopoly, so as such it is considered one of the most characteristic forms of monopoly creation. Legal basis for the establishment of floors, within the cartel, the enterprises remain independent in the legal and financial plan, while by agreement are regulated those functions which are considered of common interest for all members of the cartel. With this form of union, the independence of the members is largely limited and the joint activity in the field of production and taste is coordinated. It is a contract (agreement) through which the members regulate their mutual legal relations. According to the legal nature, the company contract is regulated according to the principles of private law. Holding is a complex form of the large business system. It consists of many enterprises, one of which is a parent enterprise or a dominant enterprise, while the others are subsidiaries, i.e., subsidiaries - controlled enterprises. Holding enterprise in the broadest sense is a commercial enterprise that owns large shares and creates large capital, unlike other commercial enterprises which give it the opportunity and leading role within the directorate - management of the controlled enterprise. In the narrow sense, holding is treated only in cases when the business subject of the holding company is the purchase of securities (most often shares) of bonds of other companies. The income of the holding company in this case derives from the income from the shares of the controlled companies. This is the most common form of laundering of financial capital, the industrial capital and commercial capital through which the unification of capital is achieved. The concern is a type of holding that is characterized by the merger of legally independent enterprises, but which are merged into the joint capital of the parent enterprise which then, through the process of capital investment in these subsidiaries (daughter) ensures the presence and participation in effectively directing and controlling their activity. Unlike pure holding, the concern is characterized by the fact that the parent company engages only in industrial and commercial activities. Consortia are advanced forms of the union of business entities that, legally and economically, are independent and create partnerships to carry out certain business works and projects. Country legislations rarely regulate the legal position of consortia and the legal relationships created by their activities.

5. Conclusion

As a result of the need for money and position in society, different individuals and groups of individuals try to combine capital, skills, effort, and responsibility to pave the way for their goals. Regardless of the literature, knowledge, experience that an individual goes through with his firm, there is still no exact formula that signs the success of the enterprise.
In modern and advanced economies, firms fit into any of the categories we have mentioned in the paper. But it is worth noting that in some national economies the share of classical and creative corporations is more apparent than in others. It is worth noting that the characteristics of the country's economy depend on the stages of economic development that the state has gone through, and what social and political tasks it sets for itself. Relating to the data presented above, the experiences of the operation of Corporations in the region and beyond in Europe as well as the impact of their successful operation on the economic life of any country we can conclude as follows: Viewed from the history of operation of Corporations in general, regardless of the structure of share capital, respectively the ownership genesis of shares. Corporations themselves are a special complexity among business entities as in their functioning they differ from the organizational forms of other ethnicities such as Limited Liability Companies, Partnerships, Individual businesses, etc. Large corporations with large capital investment and large numbers of employees affect the normal flow of a state and often put pressure on the form of policy-making of a state, whether in fiscal or social policies, but often also affect the foreign policy flows when such corporations have investments in foreign countries; Almost all corporations except the founders - shareholders, the responsibility for the management of corporations lies with the board of directors and the board of directors.

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