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## **THE TERM CORPORATION IN MODERN GLOBAL CONDITIONS**

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**Abstract:** In the second half of the XX century, performances so-called new economic wave - Globalization. Globalization is a connection that transcends the framework of national states, and aims to increase economic growth and wealth. In the introductory part of this paper, the author determines the terms globalization and corporation. Furthermore, the author determines the elements for the efficient operation of the corporation. In the concluding observations, the author determines the corporate governance system, the internal and external mechanisms of corporate governance, the profit making as a strategic goal of the corporation, and the role of the security management. The subject of research is the corporation and the elements for its efficient operation as a modern business entity. Purpose of research is the importance of corporate security in scientific literature.

**Key words:** globalization, corporation, efficient operation of the corporation, corporate governance, corporate security

## **ГЛОБАЛИЗАЦИЈА У МОДЕРНИМ ГЛОБАЛНИМ УСЛОВИМА**

**Абстракт:** У другој половини 20. века појавио се нови економски талас. Глобализација. Глобализација је веза која превазилази националне владе и има за циљ повећање економског раста и богатства. У уводном дијелу овог рада, аутор одређује појмове глобализације и корпорације. Надаље, аутор одређује елементе за ефикасан рад корпорације. У закључним запажањима аутор одређује систем корпоративног управљања, механизме интерног и екстерног корпоративног управљања, стварање профита као стратешки циљ корпорације и улогу

безбедносног менаџмента. Предмет истраживања је корпорација и елементи за његово ефикасно функционисање као савремени пословни субјект. Сврха истраживања је важност корпоративне сигурности у научној литератури.

**Кључне речи:** глобализација, корпорација, ефикасан рад корпорације, корпоративно управљање, корпоративна сигурност

## INTRODUCTION

The modern world shapes the process of globalization, liberalization and technological development. Globalization leads to the creation of trade blocs, global companies and global economies. In the second half of the XX century, performances so-called new economic wave. Globalization is a connection that transcends the framework of national states, and aims to increase economic growth and wealth.<sup>335</sup>

Economic globalization provides many countries worldwide opportunities, and involves a process of opening and liberalization of national financial markets and their entry into the global capital market. Today under globalization means "international integration" of goods, technology, labor and capital, so you can talk about globalization in a broader sense.

"Globalization refers to the image of the world as a common space which creates interdependence - technological, political, economic and environmental, and this invalidates the geographical distances makes it universal democratic form of government and increases the wealth." So, the fundamental feature of globalization is the technological revolution, i.e. the creation of a global economy with a borderless world and universal culture: equal forms, modern technology, market economy and democracy. Globalization can be determined to be one of the consequences of the development of knowledge, modern technology, market economy, democracy. Globalization has certain requirements - constantly investing in knowledge, technology, market economy, research and development. Basic economic aspects of globalization are liberalization, attracting investment and privatization. The main role of the market has multinational corporations.

## GLOBALIZATION – DEFINITION AND BASIC PARAMETERS (SETTINGS)

By conventional definition of globalization we understand the process of opening and liberalization of national financial markets by making them part of the global capital market. The modern definition stands for international integration of goods, technology, labor and capital. This enables us to broaden our perception of the term globalization.<sup>336</sup>

The term globalization has roots from the English word "The Globe" which means Earth, the planet Earth, round cosmic form. Hence, the globalization envelopes all social processes and relations which have planetary character and are influencing the global developments. The term globalization is derived from the word "global" which means whole, and the term "globalism" is a way of looking and explaining the global developments. We can say that the globalization is a social process which is striving for unity of the modern world.<sup>337</sup> Globalization presents a connection which overcomes the boundaries of the countries, and the

<sup>335</sup> Gerginova, T., (2015). *Global security*, Publisher Faculty of security – Skopje.

<sup>336</sup> Dujšin, U., (1999). *Globalizacija, ekonomske integracije i Hrvatska*, Zbornik Pravnog fakulteta u Zagrebu, 49, 2, 179-195.

<sup>337</sup> Turek, F., (1999). *Globalizacija i globalna sigurnost*, Hrvatska udruga za međunarodne studije, Varaždin, pp. 159.

goal is to provide growth for the economy and money reserves. "Globalization suggests that the world is a unified area in which countries are interdependence with technology, politics, economic and ecologic way. This cancels out the distance between countries, makes democracy the main political system and makes the countries wealthier". The main landmark of globalization is the technical revolution, i.e. creating a global culture and economy without boundaries.

The idea of globalization refers to the "shrinking" of the world, and by doing so it is changing the way we see the world (Robertson, quoted by Miloradovic, 1999). The globalization can be seen as the result of development of the knowledge, modern technology, stock economy and democracy. The globalization contributed to the benefit of exchanging capital, stocks, information and people through lifting the borders. The main benefit of globalization can be seen in its political and economic dimension, but in the development of latest events we can also see that globalization is beneficial with its ecological, cultural and social dimension.

Ronald Robertson is the father of the theory of globalization. It all started in the 80ties of the XX century. There are a number of writers which have contributed to the explanation of the theory of globalization, such as Ulrich Beck.<sup>338</sup> He divided the theory in 8 parts:<sup>339</sup>

- Lordly type
- Technological type
- Universal values
- Global cultural industry
- Polycentric world politics
- World impoverishment
- Global destruction of the environment
- Transcultural conflict

Robert J. Samuelson in Washington Post writes: "Globalization provides support for single countries, making them vulnerable to others weaknesses. Many countries now are more dependent from the global economy which is based on its vital organs – USA, EU and Japan".<sup>340</sup>

## **ELEMENTS FOR THE EFFICIENT OPERATION OF THE CORPORATION**

The term corporation is defined as the most important innovation of the 20<sup>th</sup> century and is a new organizational form of an enterprise or as the most developed modern mode of operation of business systems in developed countries with market economies or company capital, which by means of setting up and operating, comes with issuing bonds or large business company recognized by law as a legal entity, which has similar rights as individual in order merging and clustering of business interests, and as such, are the most common form of business association. The corporation is the most developed form of social capital. It is one of the legal forms of merging and clustering of business interests and has numerous advantages over other legal forms of companies. The corporation achieved success to cure all weaknesses of other

<sup>338</sup> Milardović, A., (1999). *Globalizacija*, Pan Liber, Osijek-Zagreb-Split

<sup>339</sup> Lončar, J., *Globalizacija – pojam, nastanak i trendovi razvoja Geoadria*, 10/1, 91-104, 2005.93

<sup>340</sup> Ulrich, Beck., (1999). Was ist Globalisierung?, Suhrkamp, Frankfurt, 1998., iz zbornika *Globalizacija*, priredio A. Milardović, Pan Liber, Osijek, str. 63-68, 107, 118

companies, particularly those relating to risk, considering the fact that in the case of the banker, the corporation that owns the bonds loses only the investment in those bonds. Corporation or company is a legal entity, which often has similar rights as the natural person to own property, to borrow, to sue and be sued. Its purpose is union grouping of business interests and is the most common form of business association.<sup>341</sup> This definition was made according to Western theory, where there was a long legislative practice that deals with the rights and obligations of traders. The political economy of the former Yugoslavia uses the term “enterprise” and is treated as an economic category.

According to the “Oxford Dictionary for a high degree of learning”, the term corporation includes:<sup>342</sup>

- big business companies,
- organization or group of organizations,
- by law recognized as a legal entity,
- which has similar rights as an individual,
- with the aim of bringing together business interests, and as such are the most common form of business association.

The corporation is one of the most perfect ways of raising capital, particularly in those sectors in which the nature of the production process requires large funds. Corporations have a complex organizational structure, with a greater number of companies in its composition.<sup>343</sup>

The operation of modern corporations determines the three elements that exist simultaneously and are interdependent: favorable circumstances (opportunities), vulnerability (vulnerabilities) and dependence (dependencies). Each company as a business entity to realize business success is necessary to work in favorable internal and external environment. The operation of modern corporations can be observed in isolation but it is connected and is dependent on a number of circumstances and events influenced by globalization trends in the world.

In today’s open market competition every business entity has a chance of business success. In modern practice of corporations, two sets of mechanisms to ensure effective management and help resolve conflicts of interest that arise in corporate structures. It is about the internal and external mechanisms of corporate governance. Internal control mechanisms of corporations, boards of directors (Board of Directors is an organizational tool by which shareholders or owners influence the actions of managers, would provide the corporation to function in a manner that will achieve their interests), reward management, concentration ownership, relationship with interested groups involved, financial transparency and adequate disclosure of relevant information. In external mechanisms of corporate governance include market for corporate control, legal infrastructure, protection of minority shareholders and the conditions of competition.<sup>344</sup>

At the same time, each company as a business entity is vulnerable whether the danger it is exposed to due to the fierce market competition, or resulting from the general insecurity.

<sup>341</sup> Gerginova, T., (2017). *Corporate security*, Publisher Faculty of security – Skopje.

<sup>342</sup> Indicated by: Oxford Advanced Learners Dictionary, Oxford University Press, 6th Edition, New York 2000., p. 279th

<sup>343</sup> Taken from Marković, Slobodan, I., (2007). *Fundamentals of corporate and industrial security*, Faculty of Legal and Business Studies, Novi Sad, p. 148-149.

<sup>344</sup> Taken from Bakreski, O., Trivan D., Mitrevski, S., (2012). *Corporate security system*, Publisher Chamber of Republic of Macedonia for private security, Skopje. p. 72.



Therefore, in modern terms, if corporations want to work successfully, you must recognize future events and threats, and top management shall define primary business all challenges and act preventively.

For better performance of the company, it is a system of corporate governance, a system that manages and control the companies. In a narrow sense, the term corporate governance system that determines the owner provides top management placed to achieve the goals of the corporation and to fulfill obligations undertaken - create profit for the owners. Owners its position to govern the management with management contracts. The establishment of contractual relations solves the problem of alignment of interests between the participants in the processes taking place in the corporation.<sup>345</sup> As highlights D. Hruška, external and internal elements of corporate governance and relations between them define the system of corporate governance.

The system consists of a set of relationships:

- between the management of the corporation,
- its board,
- Shareholders and other holders of interests.

According to American author Margaret Blair, "the area of corporate governance include:

- corporate legal framework and practice decision-making in supervisory boards and directorates of corporations
- various aspects of corporate finance,
- laws regulating securities,
- bankruptcy laws
- laws governing the operations of financial institutions,
- relations with employees,
- contract law and theory, property rights,
- Compensation systems and systems of internal information and control".<sup>346</sup>

Corporate governance provides the structure through which to realize the company's goals and determine the means of attaining those objectives and monitoring performance. Good corporate governance should enable and encourage the achievement of the objectives to provide quality management and economical use of resources, which is in the interest not only of the company and the shareholders, but also to all other interested parties. Corporate governance is now widely accepted as a mental tool for establishing an attractive investment climate which characterize competitive companies and efficient economic markets. In that sense, there is a correlation between efficient economic markets and economic growth as the micro-economic and macro-economic level, but also connectivity, conditionality and interdependence of corporate governance and economic growth.<sup>347</sup>

<sup>345</sup> Taken from Bakreski, O., Trivan D., Mitrevski, S., (2012). *Corporate security system*, Publisher Chamber of Republic of Macedonia for private security, Skopje. p. 74.

<sup>346</sup> Broader see: Blair M. Margaret, *Ownership and Control - Rethinking Corporate Governance for the Twenty-First Century*, The Brookings Institution Press, Washington DC 1995, pp. 3-4.

<sup>347</sup> Broader see: *Corporate Governance Codes Relevant to the European Union and its member States*, Survey of Corporate Governance Development in OECD Countries, Paris 2003 ([http://www.europa.eu.int/comm/internal\\_market/en](http://www.europa.eu.int/comm/internal_market/en)).

Relationships between elements in the system of corporate governance is determined by a number of causal relationships that are called mechanisms of corporate governance. The purpose of the corporation may be diverse: to survive, to maximize market share, sales, profits, minimize costs, and more. In other words, the purpose of the corporation is subject to what the position of corporate control desires. Various empirical studies show that there is a direct correlation between the quality of corporate governance and performance of companies, which can be measured by financial indicators, rate of innovation, increased market share, the time it takes for new products out on the market, satisfaction customers, buyers and employees and others. From the above it follows that good corporate governance is a source of competitive advantage for the company, which will thus be more profitable, long-term growth and development.<sup>348</sup>

Good corporate governance means not only way to manage the company, but also their relationships and relationships with external stakeholders at the micro and macro level, and the legal and institutional framework. In this sense, corporate governance is the system by which the stretch and controlled companies. The system consists of a set of relationships:

- between the management of the corporation,
- its board,
- Shareholders and other holders of interests.

One of the strategic objectives of the corporation's profits. But today in modern conditions of globalization in the world, the corporation is facing various risks and threats such as corruption, organized crime, terrorist activities, different kinds of abuse, embezzlement, fraud and other methods of alienation and appropriation of its property; political crime, general crime and economic crime; (Political crime - terrorism, sabotage, espionage, general crime - theft, severe and armed robbery, robbery, deprivation of motor vehicle, fraud, extortion, kidnapping, fire, economic crime - corruption, negligence, abuse of office powers, embezzlement, receiving and giving bribes, official secrets). Therefore greater attention is focused on the identification, assessment and management of risks, but also for protection and implementation of defense mechanisms (corporate security), so that the company's strategic goals to be met. In terms of security and protection, earlier in a number of enterprises, there were mainly minor damages that cost disgruntled individuals. Today's companies face the attacks of organized groups aimed at jeopardizing the operations and assets of the business entity. In this connection, they use different ways and means of threat, which can corporations to inflict great damage. To prevent or avoid this, companies are forced to establish effective systems to protect their management processes and business processes.<sup>349</sup>

In order to exercise the efficient operation of the corporation, it is an important role of security management. Security management, an entity of the organization and management system for providing persons and property of the corporation. In his competence is: setting goals, planning, organizing and issuing orders, control, coordination and responsibility for the safe operation of the company. Management is he who devises overall system security, coordinates the work of other parts of the company in order to accomplish the objectives of corporate security without doing damage to the work process, and security management is

<sup>348</sup> Taken from Bakreski, O., Trivan D., Mitrevski, S., (2012) *Corporate security system*, Publisher Chamber of Republic of Macedonia for private security, Skopje. p. 72.

<sup>349</sup> Taken from Ivandić, Vidović, Darius., Karlović, Lydia., Ostojić, Allen., (2011) *Corporate Security*, Association of Croatian Security Managers - UHMS, Zagreb. P. 66<sup>th</sup>.

responsible for: compliance with legal regulations, the training of workers for security, as well as mistakes in their work they will do.<sup>350</sup> Security management is necessary to act preventively and to undertake measures and activities aimed at monitoring, prediction and assessment of the causes and forms of endangering persons, property and operations of the Corporation to be expected in the future; Specifying the responsibilities and powers of the persons working in the company's work around the protection of its vital values such as the company's reputation in the market, its corporate image (reputation), morale and motivation of staff, strategic development plans, competition analysis); determination of the expertise and motivation of the personnel working in the company; Organization and operation of natural-technical provision of all facilities belonging to the company; Protection measures related to the safety and health of workers, environmental protection, protection against fires, accidents and explosions; Measures to protect the operation of the corporation against all forms of corruption, various forms of abuse, misappropriation, fraud and other methods of alienation and appropriation of its property; Specifying the measures to protect the business and professional secrecy; Specifying the measures related to the control of the movement and residing on external objects and persons in space which belongs to the business entity; Organization and operation of information systems and providing those assets and affairs of the corporation, especially measures to protect information; Harmonization of regulations acts in all areas of security, with national regulations and standards of the EU; Assessment of the degree of endangerment of persons in corporation with activities related to the protection of its vital values.<sup>351</sup>

Achieving security in a corporation contributes to the efficient business of the modern corporation. Corporate security is a concept that ensures the achievement of the goals and key values of a corporation. As objectives of corporate security can be determined:<sup>352</sup>

- preventive action to eliminate all risks<sup>353</sup>
- reduction of threatening effects to a minimum extent;
- Business operation in crisis and overcome the crisis and again normal operations.
- Repair productivity and boost competitiveness, security risks can be reduced to the lowest possible level and to prepare measures to be taken if incidents occur, dangers and damages.

Key values of the corporation are:

- Reputation of the company in the market, its corporate image (reputation), morale and motivation of employees,
- The strategic development plans,
- Analyze competition.

## CONCLUSION

<sup>350</sup> Taken from Daničić, M., Stajik, Lj., (2008) *Private security*, Higher School of Interior, Banja Luka, p. 28<sup>th</sup>.

<sup>351</sup> Gerginova, T., (2017). *Corporate security*, Publisher Faculty of security – Skopje.

<sup>352</sup> Gerginova, T., (2017). *Corporate security*, Publisher Faculty of security – Skopje.

<sup>353</sup> Risk is the likelihood of a breach of a technical-organizational system, whose consequences are business and economic losses that derivatives are the probability of occurrence of the incident and its consequences (economic, ecological and others) threatening factors that may affect business activities and achieving business success of the corporation;

In the second half of the XX century, it is the new economic wave called globalization process. Globalization is a connection that transcends the framework of national states, and aims to increase economic growth and wealth. With the process of globalization and the resulting terms corporation and corporate security.

The term corporation is determined as the most important innovation of the XX century and a new organizational structure of the enterprise or the most developed modern mode of operation of business systems in developed countries with market economies or the company of capital that the funds for the establishment and operation comes to issue bonds or big business company recognized by law as a legal entity, which has similar rights as individual, so merging and grouping of business interests, and as such the most common form of business association.

Corporate security is without doubt a concept that takes care of matters related to security companies and which simply defined as the protection of property and business processes which could have been the prevention and reduction of material losses for the security interests of the owners, profits and property from various hazards, risks and threats. Corporate security is an integral part of the process that manages business risks within the business entity. Specifically speaking, corporate security working to establish plans and implement measures aimed at: protecting the recipient, protection of employees in the business organization, protection of property owned by business organizations, protection of information and the reputation of the business organization of material damages , criminal activities etc..

To increase the quality of work of the corporation, any corporation develops a system for managing business processes (Business Process Management System - BPMS), which allows for continuous management and supervision of business processes. In the modern world, one of the main objectives of the corporation's profit and efficiency. Realization of profits as a strategic objective of the corporation is increasingly threatened by exposure to various forms of risk. Therefore greater attention is focused on the identification, assessment and management of risks, but also for protection and implementation of defense mechanisms (corporate security), so that the company's strategic goals to be met. Next important principle for the functioning of the corporation is HSEC (Health, Safety, Environment Management, Community Relations) - achieving health, safety, protection and improvement of the environment and economic prosperity and sustainable development of society in the environment and respect for human rights.

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