

# THE MANAGEMENT AND ITS ROLE IN THE INTERNATIONAL BUSINESS

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## Abstract

The management is key component in one company and it has essential role in its development, success and strategic goals. Its meaning is specially emphasized in the international business, where the only way to achieve competitive advantage and positive results is to have established, developed management team that has the necessary experience, ambitions and knowledge to fight against all risks and difficulties in the international environment. Every international business has to be able to point out and define its management strategies, vision and mission through which it can reach the plans and goals of the business, as well as the directions for achievement of those plans and goals, and of course – awareness for the cultural diversity as main precondition for creating innovative, ideological companies that have aspirations outside the borders of the domicile country.

**Key words:** business operations, companies, environment, international trade, management, leader

## 1. Introduction

Today, for the business companies to be included in the process of globalization, it's necessary for them to adjust the management operation and activities to international business, providing greater success and strengthening their brand while also making a profit. This means that in the international business, the company can make profit but also it should respect the ethical rules and the social responsibility, and be actively involved in the activities for environmental protection.

Before starting the process of international work and international trade, most important thing is to recognize the political, economic, social and technical factors in the external environment that have valuable importance in the process of acceptance in the international environment.

These factors are so important because the management has to provide safe and stable strategy for adaptation to the international conditions, eliminating the risks and using the opportunities to their advantage. For all those criteria go be fulfilled, there has to be manager – leader who will not only give directions for realization of the company's goals and will

implement the managerial function, but also will be leading force in the company. With his work, influence, charisma and knowledge, the manager has to be example for all the employees.

In international context, the manager is given one more function – to combine the diversity and the opportunities of the international environment to complete the company's goals. He should rise above traditional sentiment and show experience and skills for facing the challenges, to motivate the employees to contribute with their skills, knowledge and hard work, so that the company's success will be considered as their own success.

## **2. Defining Management**

The influence that management has on the domestic and international trade, financial flows and the international markets, gives it enormous importance and makes it attractive for thorough analysis.

The management can be defined as a factor of production, together with the equipment, the materials and finance, so it's multifunctional unit that coordinated the business and the managers, and the employees and the work, according to Peter Drucker.

Also, there is wide accepted definition by Mary Marker Foller that says "The management is art of performing tasks through people". According to Harold Koontz, the management is defined as art of performing tasks through others, with formal, organized groups.

The definition by F.W. Taylors states "The management is art of knowing what we want and how to achieve that in best and cheapest way"

In the near past, the management was considered only as a process of managing the economy, but today we can't accept that economy is the only area that needs management. On the contrary, it's more required in the other organizations and institutions, regardless of whether it's non-profit organization or government agency. There's also a statement about management that defines it as "Process of completing different functions, and in that kind of context, the management is special process of planning, organizing, encouraging and controlling, for achieving the goals, with the help of people and the others resources"

The management can be defined as a set of activities that can perform different functions with the purpose to achieve, deploy and mobilize the human potentials and the natural resources, for completing and achieving the goals.

In today's conditions of managing, where the company is exposed on new risks and potential threats, more than never is required effective and ready management, that can "exploit" the resources and technologies, only for the greater good – to conclude advantage in the market and acceptance of the products and services in front of the international consumers.

## **3. Motives for entering in the international markets**

The main reason why companies want to experience the business work out of the borders of the national market is the lack of materials, climate changes, the specialized labor, technologies etc. This allows the countries to trade their goods and services in order to correct and redeem for the lack of these factors and to achieve competitive advantage. But again, as interest number one is the benefit (profit) from the completed trade.

The competitiveness helps the management and the company to “bring the best of themselves” by fabricating unique, quality, long-lasting products and creating loyal base of satisfied customers that’s way bigger than the one in the domestic country.

Although, these are the most important motives, there are a plenty of others that move the national businesses into the international markets and insure their international expansions.

#### **4. Management activities in the international trade**

One of the most important roles of the manager is to plan and monitors the activities in the company. After the establishment of the conditions and aspects of business’s improvement, there are concrete management activities that have to be taken, but very carefully, in three simple steps.

*The first step:* Preparation for entering in the international market:

- Analysis of the legal and trade regulation
- Market research
- Making business plan
- Training/qualification (if needed)

*The second step:* Entering in the international market:

- Creating strategy for trade and exchange (based on the market research)
- Managing the needs for change
- Creating tactics for adaptation
- Adaptation on the cultural diversity and the cultural values

*The third step:* Business meetings and sessions

- Business meeting with the partners
- Meetings with the employees and the management teams
- Meetings with the potential customers and clients

#### **5. Understanding the international business environment**

The international business environment in combination of internal and external factors that have influence on the activities and the normal working flow in the company. They can be considered and divided in micro and macro environment. The micro environment includes influences from the narrow business surrounding such as: suppliers, intermediates, customers, competition and the public.

The macro environment includes the wider forces that impact the company’s performances. Unfortunately, these factors are harder to predict and control, because the management doesn’t have significant influence on their appearance.

Best way to analyze and review the international environment is through SWOT analysis, showing the internal strengths and weaknesses, as well as the external opportunities and threats.

The macro environment can be easily explained by the *PEST analysis*, acronym for the political, economic, social and technological factors.

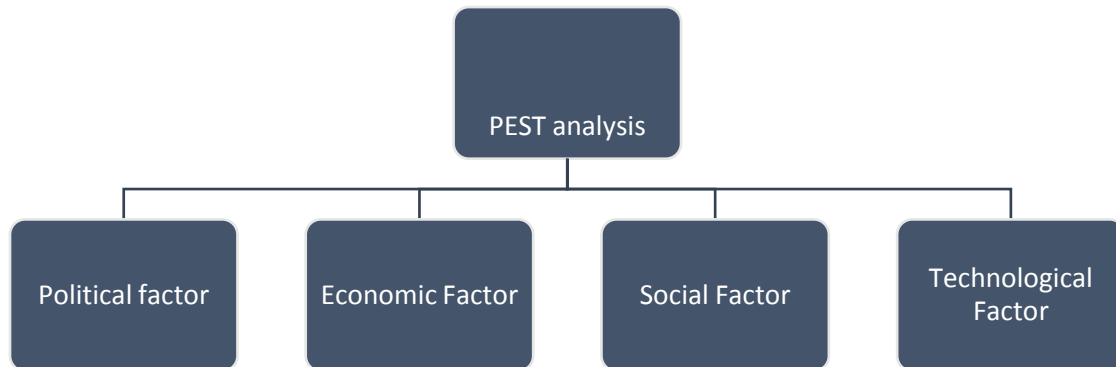


Figure 1. PEST analysis

## 6. Empirical research

The main objective of this paperwork is to perceive the role of the management in the international business. Because of that, it's made complete and theoretical study about management's definitions, goals, activities and importance. *The main hypothesis is that the management plays significant role in the process of entering in the international market and international trade relationships, so its effectiveness, values, vision and professionalism are essential for the development of the international business.*

For the needs of this paperwork, we added empirical approach, such as empirical methods and numbers that approve the theoretical results.

The main element of the empirical research is the survey, sampling and recording 80 people in the City of Stip, 20<sup>th</sup> August - 6<sup>th</sup> September, 2016.

Out of 80 participants, 31% (25) were managers and 69% (55) were employees.

There were 3 questions, with 3 offered answers: Yes, No and No answer.

Table 1. Demonstration of the collected data from the survey

Questions		Answers			
		Managers		Employees	
		Value	%	Value	%
1. Do You think that the management has the required knowledge of the international market?	Yes	22	88	38	69
	No	0	0	7	13
	No answer	3	12	10	18
	Total	25	100	55	100

<b>X<sup>2</sup>-test: 16,449</b>					
2. Do You think that the management performs the management activities the correct, proper way?	Yes	23	92	6	24
	No	0	0	15	60
	No answer	2	8	4	16
	Total	25	100	55	100
<b>X<sup>2</sup>-test: 102,529</b>					
3. Do You think that the management uses properly the benefits from the international trade?	Yes	19	76	30	55
	No	2	8	5	9
	No answer	4	16	20	36
	Total	25	100	55	100
<b>X<sup>2</sup>-test: 11,118</b>					

The first question is: 1. Do You think that the management has the required knowledge of the international market?

Table 2. Management's knowledge of the international market

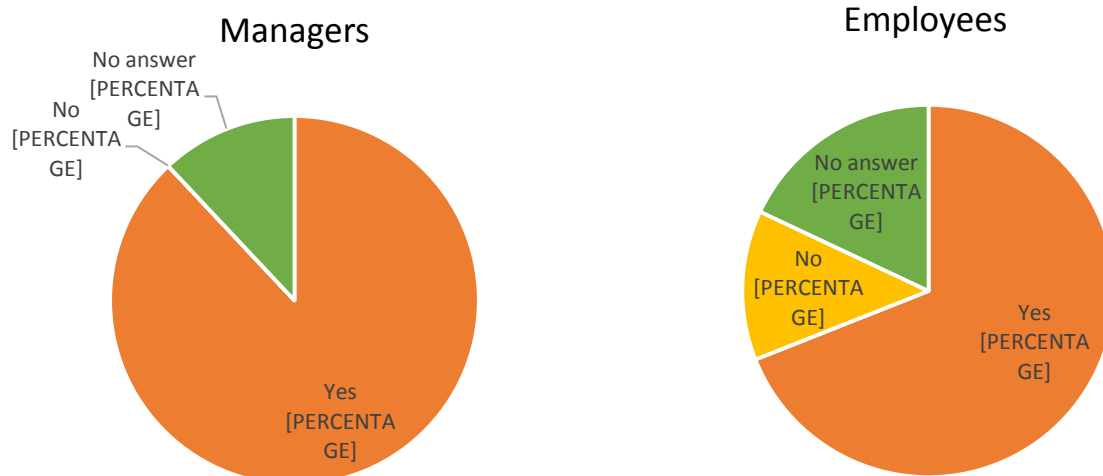
1. Do You think that the management has the required knowledge of the international market?	Yes	22	88	38	69
	No	0	0	7	13
	No answer	3	12	10	18
	Total	25	100	55	100

$$X^2 = 16,449 > X^2_{00,5} = 5,991$$

$$C=0,251$$

The results from the X<sup>2</sup> test and the contingency coefficient show that the answers of the managers and the employees are slightly different. The calculated x<sup>2</sup> value that's higher than the table value means that the answers of the participants are not correlated and they show weak link between them.

This means that the employees don't share the opinion of the managers about their knowledge of the international market.



**Graph 1.** Management's knowledge of the international market

We have visual prove that no matter that 88% of the managers have the opinion that they have the required knowledge of the international market, the employees's answers show that fewer participants that share the exact opinion. And while for the same question, none of the managers have the negative opinion (answers with no), there is small but important part of the employee graph that shows that some of the employees think that the management doesn't have the needed knowledge for the international market.

The second question is: 2. Do You think that the management implements the management activities the correct way?

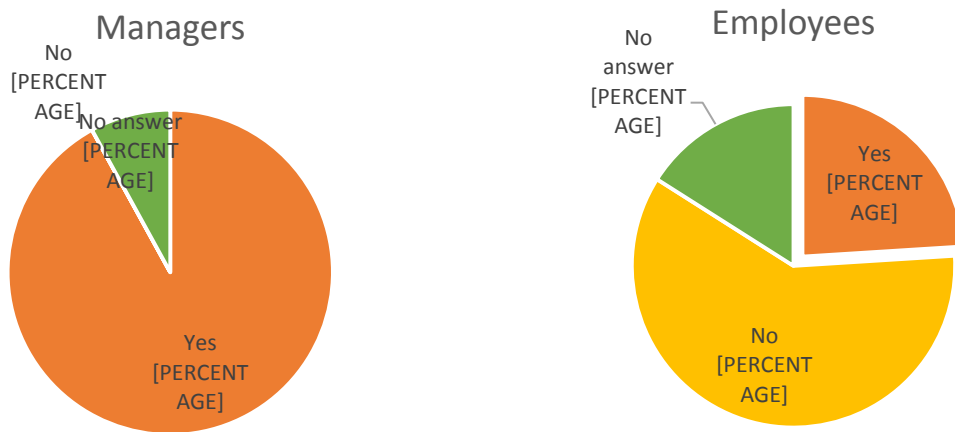
**Table 3.** Management's proper performance of the management functions.

2. Do You think that the management performs the management activities the correct, proper way?	Yes	23	92	6	24
	No	0	0	15	60
	No answer	2	8	4	16
	Total	25	100	55	100

$$X^2 = 102,529 > X^2_{00,5} = 5,991$$

$$C = 0,582$$

The results show contrast between the recorded managers and employees. The  $x^2$  test is 102,529 which implies bigger value than the table one – 5,991. Also, the contingency coefficient  $c = 0,582$  shows minimal correlation with the answers of the managers and employees.



**Graph 2.** Management’s proper performance of the management functions.

The results show drastic differences in the proper and correct performance of the management function, so 92% of the managers think that they fulfill and perform the management activities (planning, organizing, controlling etc.) the right way and on the other side, 60% of the employees think that the management in their companies doesn’t perform the management function in the correct way.

The third question is: 3. Do You think that the management uses properly the benefits from the international trade?

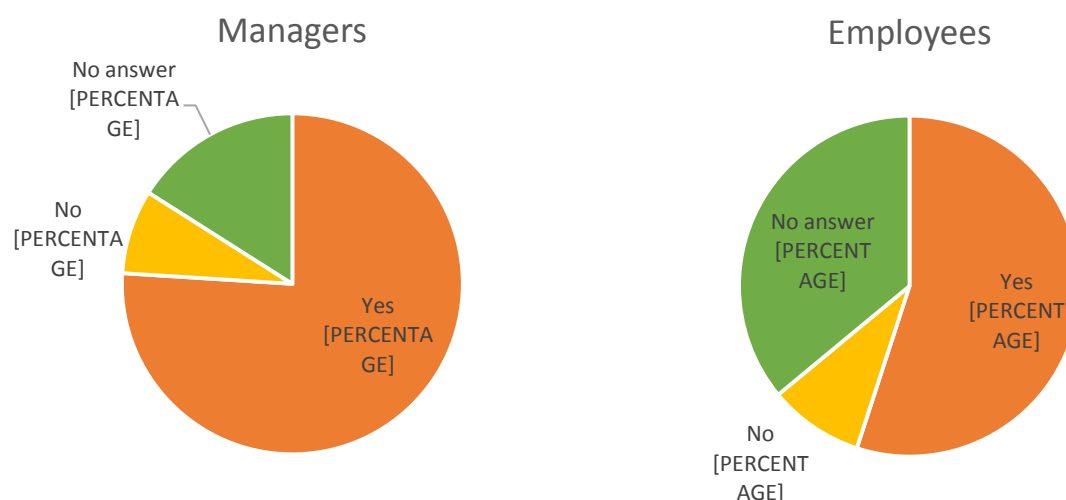
**Table 4.** Management’s proper use of the benefits from the international trade

3. Do You think that the management uses properly the benefits from the international trade?	Yes	19	76	30	55
	No	2	8	5	9
	No answer	4	16	20	36
	Total	25	100	55	100

$$X^2 = 11,118 > X^2_{0,5} = 5,991$$

$$C=0,229$$

The results show important differences between the managers and employees.



**Graph 3.** Management's proper use of the benefits from the international trade

The difference is more than apparent, maybe it's not drastic or too big, but it surely shows the contrast between the managers and the employees about how the managers recognize and use the benefit from the international trade, in favor of their own company.

As general conclusion of the survey, we can summarize that there are different approaches and opinions between the target groups about the active involvement of the management in the international business. Therefore, this research is necessary and comes as a rational venture for the insight of the differences and their harmonization.

## 7. Preference for efficient and effective managing in the international trade

Main goal of every business company that provides and offers services and products in the international market is to be effective and efficient in its actions and attempts in the international operations. The efficiency and effectiveness can be provided in three ways:

- Creating complete international strategy
- Structuring appropriate organizational network and design
- Managing the human resources properly and professionally

International customers will "give permit" for development and survival only of the international business companies that will offer and show:

- Adjustment and flexibility;
- Specialized and secure IT systems;
- Safe and constant logistical support;
- High productivity;



- Constant training for development of the human resources;
- Exploitation of the available technology;
- Successful managing of the risky business ventures;
- Transparency;
- Creating effective systems of supply and sale.

Effectiveness and efficiency can be also achieved by innovation and innovative ideas, that help the company to develop in perspective and modern organization with safe future and maximized wealth.

The classic definition of innovation includes:

1. Process of making changes on/in something that already exists through new methods.
2. Act of presenting something new.
3. New idea, method or equipment.
4. Successful exploitation of new ideas.
5. Change that creates new dimensions of the performance.

One more, crucial aspect is the international strategic management, considering the diversity and the international environment, so the management can make complete analysis of the factors and opportunities, taking into account all the strategical options.

There are many strategical options, so the company has to find all the rational and profitable ways to achieve the goals, considering the selected strategical option, the market penetration, market targets, time restriction and allocation.

The implementation of efficient and effective management in the international business company that has active role in the international trade is not an easy thing. The company should demonstrate improved innovation and developed strategies, taking in consideration the nature of the business, business environment, the industry etc.

Only true leaders and dedicated managers can provide effectiveness and efficiency, always measuring high performances.

## **Conclusion**

According to the results from the theoretical-literary and practical-empirical activities, it can be concluded that in the modern world, business companies must expand their horizons, set their goals straight, overcome the threats and risks of the international environment and be ambitious about their future and benefits from the international business.

Meaning that, the management has the key role in the today's business and the international trade is a pretense and aspired goal of every business company.

By performing the management activities, the manager chooses the appropriate practical management tools and techniques, using the knowledge and experience to fulfill the expectation.

The globalization and the rapid development of the technology, internet, communication and transportation, financial transactions etc. enabled the desired development of the international trade and made the world so depended of the international business.

In the process of development of the international trade and acceptance of the international environment, the management has the most important influence and importance, by implementing the management activities, research, analysis, reports and predictions.

The Empirical research showed inconsistent answers of the managers and the employees for this current period, which means that domestic companies has a lot of work in the field of adapting to the new, international conditions in the future. The managers have to be objective and transparent towards their employees, because only by working together they can find solutions and ways to benefit from the international business.

Now more than ever, the world needs effective management of the international trade and trade flows, modern international businesses and sustainable international development.

It's necessary to have professionals with developed, pragmatic, integrated strategical plans, complete trade reports and control over the activities and processes on international level, so it can be created base of safe maneuvers in the international trade and the business will be reach its potential.

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