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The Role and Goal of Management-Adaptation of Companies to Changes in the Global Economy

Ing. Ivan Litvaj

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ABSTRACT

Management is a science that focuses on the management of companies and organizations as well as various institutions. That is its main focus. Peter Drucker defined management as "the process of coordinating the activities of a group of employees [is] carried out by an individual or a group of people to achieve certain results that cannot be achieved by individual practice." material, information). In our contribution, we want to focus on current management and its important role in helping companies adapt to the changing market environment.

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Introduction

The current global market economy

The market economy is viable, dynamic, turbulent with many changes. The extensive scientific and professional literature on changes and trends in the market economy and changes in management states the following facts: The changes are large and profound the number of changes is growing, changes include large shifts in business models - 21st century, we can say - based on the developments so far. What we see before us is a dynamic world full of chaos, uncertainty and a world of rapid change. Therefore, the pace of their strategic renewal is dynamically increasing in many companies. However, you cannot expect your business to be successful in the 21st century if you run it the same way you did in the 20th century, which was more stable for business. It is essential to rethink the management, its principles, systems, methods and procedures in many companies from the ground up because if the 20th century was characterized by management aimed at increasing the efficiency of business processes and reducing costs, the 21st century is a period of great changes in both strategic management and in the management in companies itself.

Constant changes, waves of changes in humanity, and human civilization throughout history, naturally interfere with the development, the thinking of society and action, and transform it, change it - fundamentally transform it. These changes are gaining momentum due to certain major megatrends - globalization, technology (their unprecedented development and boom in speed). Here are some significant changes and trends in the market and management.

Selected changes and trends in management

- It is evident that after the upheavals and events of the late 1980s, globalization is a major megatrend of contemporary

civilization. This fact is associated with many changes in the economy and society.

- The whole world is constantly evolving and changing; changes are increasing, the frequency of changes is accelerating, nothing is constant in the market.
- Change becomes the core of management, so it is not something marginal that would be on the periphery of management; change is in the very core of management.
- Many changes are unforeseen and unpredictable, the economy is turbulent, the pace of change is accelerating, the uncertainty is growing, the market uncertainty in the global economy is growing.
- Change in strategic approach - this means a change from a reactive strategy to a proactive strategy, which is based on an active approach and management action that responds to changes by monitoring the external environment and then initiating changes in the company, formulating tasks and solutions.
- The development of technologies as well as information and communication technologies have enabled the optimization of business processes, cost reduction, transfer of production to cheap countries, etc.
- First, sell and then produce the product sold (a product "tailored" to the customer); this is a new direction in the global competitiveness of companies.
- Changing organizational structures from hierarchical to flat; in this context, the roles of employees are changing from roles under control to roles with greater authority.
- Managers are changing from "supervisors" to advisors.
- Knowledge management is thus becoming a necessary new management discipline, a management system in the company. This was already predicted by Peter Drucker, who put knowledge in the first place before the basic means of production (natural resources, capital, etc.).

Tele:

E-mail address: ivan.litvaj@feit.uniza.sk

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- The quality of products and services is now taken for granted. - Large companies are transformed into networks of outsourced resources, and many small businesses into different alliances, clusters.

CHARAKTERISTICS OF CURRENT GLOBAL ECONOMY:
globalization,
the rapid development of technology,
the rapid development of information and communication technology,
the rapid and profound changes on the global market,
markets are dynamic,
new challenges,
new risks,
different set of rules from the traditional economy,
new economy (digital economy, internet economy),
knowledge economy - knowledge resources are of great significance,
best product and service,
strong competitiveness,
low cost,
outsourcing etc.

Figure 1. New Economy (Source: Author)

According to Turban et al. (2008), “new economy refers to an economy that is based on digital technologies, including digital communication network (the Internet, intranets, extranets), computers, software and other related information technologies. In this new economy, digital networking and communication infrastructure provide a global platform over which people and organizations interact, communicate, collaborate, and search for information” (pp. 14-15). The new economy is based on a different set of rules from the traditional economy, and managers of both traditional and internet, based companies have had to face the challenge that comes from the digital revolution. (Combe, 2006, pp. 55-59).

The new economy is oriented towards the demand, whereby knowledge resources are of great significance, there are low barriers for entering the market, a low risk tolerance and customer personalization (Vaskovic & Lutovac, 2009, p. 41). Promoting responsibility towards customers, promoting efficiency, promoting innovation and promoting quality are the four specific ways that can lead to reduction of costs and/or to increasing the differentiation, which will result in a company’s competitive advantage (Garet & Jennifer, 2008, pp. 343-344). The focus strategy is based on the selection of a certain segment of the market, or consumers. By adopting this strategy, business enterprise will have lower costs, as only a certain segment is concerned and not the entire market, as well as the opportunity to develop knowledge and expertise based on the characteristics of the segment, and to use them in improving their future operations (Combe, 2006, p. 236). The current market economy is characterized by turbulent development, uncertainty, and the number of changes is increasing. Entrepreneurs are expected to increase economic development and take responsibility for their activities thereby ensuring the spread of economic development (Wennekers & Thurik, 1999). When the studies in the literature are examined, the effects of entrepreneurship on regional development are positively supported (Bosma &

Schütjens, 2011). According to the findings of researchers, entrepreneurs can face many obstacles, such as lack of financial assistance, lack of information on business issues, high taxes, and inflation rates. (Gibb et al., 2013). In particular, the increasing quality of entrepreneurship training plays an important role in the rise of entrepreneurs (Buang & Awalludin, 2011).

As emphasized by Combe (2006, p.4), there are key differences between the old and new economy from the perspectives of the overall economy, businesses and consumers (see Table 1).

Table 1. Key differences between the old and new economy (Combe, 2006)

Issues	Old economy	New economy
Economy factors		
Markets	Stable	Dynamic and
Competition	National	Complex
Structure	Manufacturing	International and
Value driver	Physical	global service
	Capital	Human capital
Business factors		
Organization	Hierarchy	Network or virtual
Production	Mass	Flexible,
Growth driver	Capital and	Customized
Technology	Labor	Innovation and
driver	Machines	knowledge
Advantage	Low cost/high	Digital and
Relationships	Production	Electronic
	Independent	Innovation, speed, quality
		Collaborative
Consumers factor		
Tastes	Stable specialized	Dynamic,
Skills	trade orientated	Segmented Multiple and
Educational	Confrontational	flexible
Needs	Stable	Lifelong learning
Workplace		collaborative
Relation		Insecure opportunistic
Nature of employment		

The survival in the market in such an environment as we have briefly described is not mandatory. Companies know this, so if they want to remain viable and competitive, they must adapt to these changes. We are thus approaching changes in management in response to changes in the development of society, the economy as a result of globalization and the rapid development of technology, technologies, information, and communication technologies.

In Figure 1, we present three brief, consecutive, logical steps of adaptation of companies to changes in the market, to changes in the economy.

Adapting companies to changes

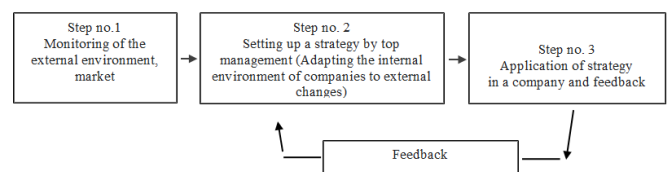


Figure 2. Adapting companies to changes (Source: Author).

Conclusion

The mission, the development in management, as well as the future of management concerning the development in society and the economy create an opportunity to build a stable and commercially and economically successful company that is competitive, ready in all respects for unexpected and expected changes. This is the goal of

management; I wanted to emphasize this fact in the contribution. The goal of management is to multiply, streamline, and develop human abilities; the goal and the future of management is not to confirm the validity of today's practices but to innovate them due to dynamic development, work on their transformation, necessary transformation with respect to trends and changes that are realistic in society and market in the global economy.

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