

## **Rights, interests and responsibilities of business**

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### **Abstract**

*Business center consists of numerous interest groups and institutions differently organized. When the interests and conflicts occur in the correlations between the environment and the business problems of regulation, harmonization and compromise arise. The rights, interests and responsibilities of the business are constructed with modification of the system of legal norms and solutions that enable regulation of the interests of various entities in the social - economic life.*

**Keywords:** *Business, interest groups, rights, responsibilities, Industrial Relations*

### **Introduction**

The business represents multitude of people and organizations whose primary purpose and motive is profit. Its realization requires many subjects, correlations and relationships. Relationships between managers are set in various forms of business organizations, and if there are degrees of responsibility and mutual dependencies (subordination and superiority), such a system of managing is called hierarchy or well known hierarchical levels. It takes place in a specific environment - the business environment. Conflicts are primarily regulated by legislative law. The law consists general rules that everyone must abide by (under the threat of sanctions), but it often happens in general the majority of rights to be curtailed. The legal regulation of a problem is a mechanism for regulation of mutual relations. Meanwhile unwanted vacuum occurs when the scene takes business ethics (as a proper picture of individual behavior, decision or actions of people employed in companies and other business entities in the domain of economics). Business ethics perceives / establishes the differences between the legal / moral opposites. A clear answer generally accepted cannot be given, but we can say that ethical behavior is expected (by society or narrower social groups) behavior of individuals or organizations, more just and correct than the standards set in the law. Besides the permanent, new ethical standards arise (relationship towards employees, environmental protection, employee rights, occupational safety and security of those who use specific products). The situation is the same with the ethical aspects of life beyond the economic sphere - regardless of who set the norms. The application of business ethics in capitalism derives from tacit understanding between the business community and state structures. State governed

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by the ideas of liberal capitalism, regulates the business courses in the smallest possible measure (it leaves the business to resolve contentious situations) .

### *Factors influencing trends*

The objectives of managements, the ways in which enterprises are managed to achieve these objectives and the human resource management (hereinafter referred to as "HRM") and industrial relations (hereinafter referred to as "IR") initiatives in this regard, are affected by pressures, many of which are exerted by globalization. Changes in IR practices (rather than in institutions and systems) such as increased collective bargaining at enterprise level, flexibility in relation to forms of employment as well as in relation to working time and job functions have occurred as a result of such factors as heightened competition, rapid changes in products and processes and the increasing importance of skills, quality and productivity. These factors have also had an impact on HRM policies and practices. In managing change, the key elements include employee involvement in effecting change, greater customer orientation, and ensuring that the skills of employees are appropriate to the production of goods and the provision of services acceptable to the global market. As such, managing people in a way so as to motivate them to be productive is one important objective of HRM. The implications and consequences of globalization include the following: <sup>i</sup>

1. Countries are more economically interdependent than before, particularly in view of foreign direct investment interlocking economies, as well as increased free trade. The inability of economies to be 'self-sufficient' or 'self-reliant' or 'self-contained' has been accompanied by a breakdown of investment and trade barriers.
2. Governments are increasingly less able to control the flow of capital, information and technology across borders.
3. There has been de-regulation of financial and other markets, and the integration of markets for goods, services and capital such as the European Community.
4. It has led to the de-nationalization of enterprises and the creation of global companies and global webs.
5. Production of goods and services acceptable to the global market, and the convergence, to a great extent, of customer tastes across borders determined by quality.
6. The need to achieve competitiveness and to remain competitive in respect of attracting investment, goods and services. This means, inter alia, the necessity for high quality skills at all levels to attract high value-added activities, as distinct from cheap labour low value-added ones, and improvements in productivity.

Enterprises driven by market pressures need to include in their goals improved quality and productivity, greater flexibility, continuous innovation, and the ability to change to respond rapidly to market needs and demands. Effective HRM is vital for the attainment of these goals. Improved quality and productivity linked to motivation can be achieved through training, employee involvement and extrinsic and intrinsic rewards. The growing interest in pay systems geared to performance and skills reflects one aspect of the increasing significance of HRM in realizing management goals and a gradual shift from collectivism to the individualisation of pay. In such pay

systems a critical attraction is the possibility of achieving these goals without increasing labour costs but at the same time increasing earnings. Realizing management goals and managing change need employee involvement, commitment and training, employee participation, cooperation and team-work - all important HRM initiatives and activities. The dominant position towards which HRM is moving points to a

"change in power relations and highlights the supremacy of management. The management prerogative is rediscovered but in place of command and control the emphasis is on commitment and control as quality, flexibility and competence replaces quantity, task and dumb obedience. To put it another way: the managerial agenda is increasingly focused on innovation, quality and cost reduction. Human resource management makes more demands on employees, work is intensified .... there is less room for managerial slack and for indulgency patterns."

From a purely HRM perspective, one writer has identified the following six factors as accounting for the increasing interest in and resort to HRM practices:

- Improving the management of people or utilizing human resources better as a means of achieving competitive advantage.
- The numerous examples of excellence in HRM have created an interest in such models.
- The traditional role of personnel managers has failed to exploit the potential benefits of effective management of people; neither did personnel management form a central part of management activity.
- In some countries the decline of trade union influence has opened the way for managements to focus on more individual issues rather than on collectivist ones.
- The emergence of better educated workforces with higher individual expectations, changes in technology and the need for more flexible jobs have, in turn, created the need to incorporate HRM into central management policy.
- Many important aspects of HRM such as commitment and motivation emanate from the area of organizational behaviour, and place emphasis on management strategy. This has provided an opportunity to link HRM with organizational behaviour and management strategy.

### ***Rights , interests and responsibilities of the business***

Whether management (leading) is particularly indicated function or is located within the broader concept of human - controlled resources (human resources management), in the modern understanding of management it is specifically stated. According to that management is an activity that takes place at the lower levels of the hierarchical ladder in the organization (eg , inventory management or production management ) , and managing is associated with major executives (senior managers) at the highest level of the hierarchical ladder that leads organization in order to achieve the goals . Therefore senior managers are the leaders who create the vision and set goals and find best ways of motivating his associates to meet those goals. The new paradigm of management is based on the fact that the end of the last century brought significant changes that affect all human activities. Science and technology

provide easy and quick connectivity, and with telecommunications through the Internet direct exchange of information on distance is achieved, so the need for physical contact is minimized in many cases. Hence, business office management is a major function in any organization. Without this feature there can't be any coordination between organizational units nor between individuals of different hierarchical levels. Business management function covers all other functions because it gives guidance on common goals and coordinate all activities and all employees to achieve those goals. The workflow separation concept which includes related activities is present in all theories of management, regardless of which name denotes the function of managing (management, administration, administration , management and more). These business processes are linked with the management of labor relations. They are the process of working with employees who have a union. Most organizations often prefer their employees to not have been associated in unions because unions restrict their freedom of management. Therefore the purpose of collective bargaining is to achieve equal success working agreement with the management and the union. Agreement contains compliance issues such as wages, hours , conditions of employment , promotions , dismissals , disciplinary, wages , overtime and vacation ext.<sup>ii</sup>

Industrial relations refers to processes and outcomes involving employment relationships. Frequently the term is used in a narrower sense, for employment relationships involving collective representation of employees in the form of a labor union or employee association, especially in the United States. At the other extreme, industrial relations has been defined by Thomas A. Kochan, in his book *Collective Bargaining and Industrial Relations*, as "all aspects of people at work," but there are clearly some aspects of people at work that entail highly technical subjects (e.g., industrial hygiene, ergonomics) which are not normally regarded as falling within the mainstream of industrial relations study.

As an academic subject area, industrial relations is often defined as an interdisciplinary field of applied study. This conception recognizes that employment relationships entail practical problems and other phenomena that transcend any one traditional discipline (e.g., economics). To fully appreciate the multifaceted nature of many industrial relations issues, one must draw from a variety of perspectives, including economics, psychology, sociology, political science, and law, among others. For example, employee compensation issues may be usefully addressed in terms of economic theory, but psychological theories offer useful insights on employee attitudes toward and reactions to compensation matters. Whether the nature of industrial relations issues is sufficiently unique to justify considering industrial relations a " true discipline" has been controversial, but most scholars appear to favor the interdisciplinary subject view. Nevertheless, John Dunlop, a key figure in industrial relations theory, continues to argue (in a 1998 article in *Advances in Industrial and Labor Relations*) for the advantages of "industrial relations systems theory" over other theoretical disciplines (e.g., economics), and contends that industrial relations is a genuine discipline.<sup>iii</sup>

*The main objectives of industrial relations system are:* <sup>iv</sup>

- To safeguard the interest of labor and management by securing the highest level of mutual understanding and good-will among all those sections in the industry which participate in the process of production.
- To avoid industrial conflict or strife and develop harmonious relations, which are an essential factor in the productivity of workers and the industrial progress of a country.
- To raise productivity to a higher level in an era of full employment by lessening the tendency to high turnover and frequency absenteeism.
- To establish and promote the growth of an industrial democracy based on labor partnership in the sharing of profits and of managerial decisions, so that an individual's personality may grow its full stature for the benefit of the industry and of the country as well.
- To eliminate or minimize the number of strikes, lockouts and gheraos by providing reasonable wages, improved living and working conditions, said fringe benefits.
- To improve the economic conditions of workers in the existing state of industrial managements and political government.
- Socialization of industries by making the state itself a major employer.
- Vesting of a proprietary interest of the workers in the industries in which they are employed.

The concept of industrial relations has a very wide meaning and connotation. In the narrow sense, it means that the employer, employee relationship confines itself to the relationship that emerges out of the day to day association of the management and the labor. In its wider sense, industrial relations include the relationship between an employee and an employer in the course of the running of an industry and may project it to spheres, which may transgress to the areas of quality control, marketing, price fixation and disposition of profits among others. The main issues involved here include the following:

- Collective bargaining
- Machinery for settlement of industrial disputes
- Standing orders
- Workers participation in management
- Unfair labor practices

*The question is whether the business has a social responsibility?*

Social responsibility of the individual or the organization is to direct their actions in terms of the overall environment and to bear responsibility for the consequences their behaviour has on the environment. All these actions are monitored in the context of achieving the results or the methods and procedures of the business to achieve economic results. Certain countries are linked in such strong regional alliances in order to boost markets and to allow easier flow of ideas, people and goods. Democratic awareness has increased in a number of developed countries, so that human rights have reached a level necessary to promote the individuals and

minorities in each community. Due to this the relations of employer - employee, are changed thus social responsibility and achieving the common goals of the organization are increased. Also, it becomes clear that despite individual interests, there are common interests, then social and ethical behaviour which is also necessary to nurture so the human community can continuously thrive.

Hence, society demands from the business community to be an economic institution that produces goods and services that society has a duty to satisfy human needs or sold at an adequate price which society considers a good value , and on the other side to provide business community to realize adequate profits , development and reward of individual economic agents or investors . Also every economic system should enable the business to have a productive role in the system. The state, through legislation, sets out rules that would perceive the functionality of the business, and simultaneously sanctions all those companies who do not obey the same rules . While the ethical responsibility includes all those activities which are not included in the legislative right . In studying the relationship between ethics and law, it is important to understand that neither laws nor ethics are fixed principles cast in stone, which over time have changed. As time goes by, moral beliefs are changing, thereby changing the laws , which reflects on changing ethical convictions in society . It is a responsibility in terms of specific behaviours that society expects from business, but also requires the state to translate into legal norms.

Corporate social responsibility is essentially a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment. At a time when the European Union endeavours to identify its common values by adopting a Charter of Fundamental Rights, an increasing number of European companies recognise their social responsibility more and more clearly and consider it as part of their identity. This responsibility is expressed towards employees and more generally towards all the stakeholders affected by business and which in turn can influence its success.

These developments reflect the growing expectations that European citizens and stakeholders have of the evolving role of companies in the new and changing society of today. This is in line with the basic message of the Sustainable Development Strategy for Europe agreed at the Göteborg European Council of June 2001, that in the long-term, economic growth, social cohesion and environmental protection go hand in hand.

*Many factors are driving this move towards corporate social responsibility:*

- new concerns and expectations from citizens, consumers, public authorities and investors in the context of globalisation and large scale industrial change;
- social criteria are increasingly influencing the investment decisions of individuals and institutions both as consumers and as investors;
- increased concern about the damage caused by economic activity to the environment;
- transparency of business activities brought about by the media and modern information and communication technologies.<sup>v</sup>

The state includes all controllers, inspectors, tax collectors, regulators, government agencies and other government bodies that sanctioned and punished . On one side the business elite of the government sees it as an obstacle or someone who drags and acts inefficiently, someone who defies economic progress, which has the power to stop, and little power to start something . On the other side the business elite has its own lobby groups in the government bodies in which through they realize their interests. The state and the business have conflicting interests, but they are interconnected in social - functioning economic system, and the public is the one having a major role in the complex pattern of interaction between business and government . However, industrial relations are those which provide a legal framework for the implementation of these conflicting interests by reaching a compromise. Due to this, the most controversial state intervention in business is direct regulation, which is commonly seen in the control of natural monopolies, negative externalities and the realization of social goals that the government achieves through the right of regulation. *As always, the bad experience in key industries leads to asking: Does the government goes too far in terms of regulation ?*

Consumers between the groups of stakeholders, also occupy an important place. The consumer business company must be careful with the problems arising in connection with the consumer. The consumerism arose when the business discovered that marketing is the key to success. Informing the consumers is extremely important (especially advertising ), although many problems arise because of the frequent abuse of advertising , concealment of facts, and overstating the messages with psychological subtext . Organizations compete for gaining the consumers with their products and services, and therefore the staff needs to be responsible to the needs of the consumers, which is crucial for all organizations. There are many laws that protect consumers from companies that are trying to secure dangerous and substandard products. Laws exist to allow consumers to sue the company whose products violate or harm them. Other laws compel companies to clearly disclose the staves interest rates that are levied on purchases - an important hidden cost that consumers often do not predict in their purchasing decisions. Of course, today many companies are prosecuted for violations in this regard. These and other product information (guarantees , packaging and labeling ) are subject to regulation by the state and /or self-regulation . Consumer rights include the right to safety and product quality. The products that are being purchased or used not to be detrimental to life and health. Consumers to be informed , to know the full content of every product, to know the usage and to know what measures should be taken when handling it. This right is specifically related to advertising, marking the product and its packaging. <sup>vi</sup> Consumers have a right and a given opportunity to express their impressions and opinions about a particular product, especially if they are dissatisfied with a product or service.

Society as a stakeholder proves to be extraordinarily important factor because it depends entirely on the work of the various types of companies or business organizations, directly or indirectly. The position of the company in terms of social responsibility, is the way in which managers and employees in the company see their duty and obligation to make decisions that protect, increase, the welfare of stakeholders and society in general. Therefore information is required on the results of the firm's social responsibility and environmental responsibility, which will help the people to decide the companies they will buy things from, where to invest and in which to operate. <sup>vii</sup> This is one of the reasons why companies should have a positive

impact on society through: donation, employment , cash contributions , and contributions to fund education, culture and so on. When there are no laws that determine how the company can treat stakeholders, managers must determine which is the correct, ethical and socially responsible thing to do.<sup>viii</sup>

The most important group within the framework of internal stakeholders are the employees which are in various forms of business organizations. The rights of employees today are of great importance due to: the growth of technological risk , the invasion of computers ,the professionals with varying degrees of loyalty and due to the mobility of employees . The legal rights of employees are the result of specific laws or statutes adopted by a State or local government. With that employees receive certain legal rights, such as equal employment opportunity, collective agreements and security in their workplace. In terms of the rights and obligations of the employees there are the contractual rights, work contracts and more. The central rights of the employees are: not to be fired without particular cause, the right to equal treatment and freedom of speech. Other rights are: privacy in the workplace and the right to health, intellectual property, arbitration, etc. in order to avoid discrimination on any terms.<sup>ix</sup>

By working closely with business partners, companies can reduce complexity and costs and increase quality. Selection of suppliers is not always exclusively through competitive bidding. Relationships with alliance and joint venture partners and with franchisees are equally important. In the long run, building relationships may result in fair prices, terms and expectations along with quality and reliable delivery. In adopting socially and environmentally responsible practices, all companies, however, have to respect the relevant rules of EU and national competition laws.

Large companies are at the same time business partners of the smaller ones, be it as their customers, suppliers, subcontractors or competitors. Companies should be aware that their social performance can be affected as a result of the practices of their partners and suppliers throughout the whole supply chain. The effect of corporate social responsibility activities will not remain limited to the company itself, but will also touch upon their economic partners. This is particularly the case for large companies, which have outsourced part of their production or services and, therefore, may have acquired additional corporate social responsibility with regard to these suppliers and their staff, bearing in mind that sometimes economic welfare of these suppliers depend primarily or entirely on one large company.

Some large companies demonstrate corporate social responsibility by promoting entrepreneurial initiatives in the region of their location. Examples for such practices include mentoring schemes offered by large companies to start-ups and local SMEs, or assistance to smaller firms on social reporting and communication of their corporate social responsibility activities.

Corporate venturing constitutes a further way for large companies to facilitate the development of new innovative enterprises. Corporate venturing means that the large enterprise takes a minority stake in a promising start-up and promotes its development. This offers various advantages to both partners, including a better grip on innovative developments for the large company and easier access to financial resources and to the market for the small company.

As part of their social responsibility, companies are expected to provide products and services which consumers need and want, in an efficient, ethical and environmental -aware manner. Companies, which build lasting relationships with customers by focusing their whole organisation on understanding what the customers need and want and providing them with superior quality, safety, reliability and service are expected to be more profitable. Applying the principle of design for all (making products and services usable by as many people as possible including disabled consumers) is an important example of corporate social responsibility.<sup>x</sup>

### ***Social responsibility integrated management***

Companies' approaches in dealing with their responsibilities and relationships with their stakeholders vary according to sectoral and cultural differences. At the start companies tend to adopt a mission statement, code of conduct, or credo where they state their purpose, core values, and responsibilities towards their stakeholders. These values then need to be translated into action across the organisation, from strategies to day-to-day decisions. This involves practices such as adding a socially or environmental dimension in plans and budgets

and evaluating corporate performance in these areas, creating 'community advisory committees', carrying out social or environmental audits and setting up continuing education programmes.

As issues of corporate social responsibility become an integral part of corporate strategic planning and routine operational performance, managers and employees are required to make business decisions based on additional criteria to those they were traditionally trained to expect. Traditional models of organization behaviour, strategic management and even business ethics do not always give sufficient preparation for managing companies in this new environment.

In response to the need to integrate corporate social responsibility into the training of existing managers and employees and to anticipate the skills that will be required of the managers and employees of the future, courses or modules in business ethics become quite a common element of business degrees. They tend, however, to cover only a limited part of what is meant by corporate social responsibility.<sup>xi</sup>

### ***Conclusion***

If management appears in all organized activities, whether it is for profit or nonprofit, that means management is the subject of constant study, that is constantly changing and amending. The respect of rights, obligations and interests in business sector and beyond will allow the suppression of crime and corruption, which will lead to achieving a higher level of legal state.

Despite individual interests, there are common interests such as social and ethical behavior that should be nurtured in order human community to continue to move forward. Each society requires from the business community to be an economic institution that produces goods and services that society, as a duty to satisfy human

needs or sold at an adequate price for what society considers to be a good value, and on the other hand to provide business community to realize adequate profits, development and reward of individual economic entities. A socio economic system should enable the business to have a productive role in the same system.

The state, through its legislation sets out rules from which functionality of the business would be perceived, and in the same time to sanction those companies which do not obey the same rules. It is a responsibility in terms of specific behaviors that society expects from business, but also requires the state to translate it into legal norms.

If so then the system of industrial relations allows to respect the rights, responsibilities and interests of the three conflicting parties to reach a common interest. Establishing a system of industrial relations with appropriate legal procedures, rights, norms and criteria will lead to achieve economic performance and welfare.

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