CORPORATE MANAGEMENT THROUGH THE LENS OF MACROECONOMICS

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Abstract:
Organizational management processes reflect capital allocation in a given business as well as in the macroeconomic space at large. In practice, macroeconomic forces acting on a given economy will depend on economic policy pursued by the state. Under the currently prevalent neoliberal outlook on market economy and its mechanisms, the impact of macroeconomic forces is confined to creating a specific socio-economic environment in which businesses operate, and to defining the economic content of (the category of) production efficiency. The paper attempts to depict the influence of macroeconomic forces on the criteria for assessing business performance that impinge indirectly on corporate management processes. The discussion leads to a proposition that while macroeconomic policy founded on neoliberal premises might well be conducive to business activity, it could be, in the long run, detrimental to individuals and to society at large.

Keywords:
enterprise management, theory of the enterprise, economic performance, socio-economic environment, macroeconomic factors, economic globalization

INTRODUCTION

Enterprise management embraces all aspects of business operation. The economic function of management consists in setting the appropriate business objectives and defining the ways of their achievement. This management function is affected by macroeconomic forces, prevalent at a given time, that mould the nature of the market and the socio-economic environment in which the market operates. It has been described synthetically by different theories of enterprise that most often concentrate on the variability of objectives of enterprise stewardship under different market circumstances.
The wealth of literature available on enterprise management focuses in particular on effective resource management. Macroeconomic forces that influence the content of production efficiency, a microeconomic category, thus exerting a significant impact on decision making processes in enterprises, are very rarely discussed. The paper aims at directing the attention to macroeconomic conditions of enterprise management and their impact on objectives set by business entities, on the selection of the ways of their achievement and on the method for measuring economic performance. These considerations are based on deductive reasoning and abstraction.

The first part of the paper presents the impact of macroeconomic conditions on enterprise management processes, specifically at the level of defining the organization’s objectives and the ways of their achievement. The second part elucidates the dependencies between the market economy model and enterprise management processes. They are contemplated in the context of such categories as capital or profit and concern business objectives set by enterprises. In its third part, the article focuses on the specificity of enterprise management in the global market economy environment.

1. ENTERPRISE MANAGEMENT FROM THE MACROECONOMIC PERSPECTIVE

The management of a business entity can be perceived as “a set and process of regulatory activities aimed to determine and select the enterprise’s rational objectives and tasks and to formulate and control the means to achieve these objectives and the ways of their utilisation”¹. Two essential functions fulfilled by the management at the enterprise level are mentioned here: the definition of the purpose of its operation and the way of utilising reasonably the means and resources to achieve its objective. These two aspects of management are dependent on the macroeconomic policy of the state.

The process of managing an enterprise which operates in the specific market economy conditions can be perceived and investigated from the theoretical macroeconomic perspective. The macroeconomic policy of the state affects both the market economy mechanism and the socio-economic environment; the consequences of its impact – stronger or weaker – can always be observed. Changes in economic processes analysed from the historical perspective reflect different models of the market economy and the socio-economic environment of such economy. Both these conditions influence the socio-economic significance of business operations. Consequently, the management of enterprises does not consist in purely technical activities. Enterprise management comprises the socio-economic content of stewardship processes in a given society and under specific historical conditions – it reflects the society’s understanding of rational and economic behaviours. Therefore, the macroeconomic view of enterprise management should address both these issues: the establishment of objectives of enterprise operations as such and the determination of the economic content of rational stewardship of available resources. The identification of objectives of enterprise activities, so closely related to the nature of the market economy in which such enterprise operates, has always been taken into account while formulating various theories of business enterprise.

Numerous definitions of the enterprise that can be found in the relevant literature differ mainly in the way of understanding the purpose of its operation. According to some authors the objective of the enterprise is to satisfy specific needs of other entities of social life; for example, Stanisław Sudoł believes that the enterprise is “a unit (entity) conducting business activities that aims to satisfy the needs of other entities of social life (people and/or institutions) by manufacturing products and/or providing services, where such activities are driven by the desire to obtain profits and are conducted independently at the risk of the owner or owners”. Others clearly identify the usefulness of enterprise operations with the fulfilment of the owner’s objective. In the definition provided by Douglass C. North the enterprise is an institution which, together with the people forming it and operating in it, strives to achieve the objective set by its owners.

The reason for differences in perception lies in a crucial distinction between two functions of capital: capital as a function of a business and capital as a function of ownership. The concept of capital understood as a function of ownership assumes that it is exclusively the owner who has a right to any surplus value produced. The concept of a business’s capital limits the owner’s claims to the level of contributed capital, concurrently assuming that this capital comprises significantly more than only the resources invested in a business, since, above all, it includes unidentified portions of social capital, originating in the process of creating value by the enterprise. Human resources are brought into a business to render certain services and the provision of these services depends on the way of utilising the resources of an enterprise. Human labour makes the organized resources useful for their specific application and determines the purposefulness of such application. From this perspective the enterprise’s capital can be viewed as a broader, distinct and uniform entity. At this stage capital is socialized to a certain extent and it can be claimed by the business itself and by the state, which creates the socio-economic conditions for the functioning of such capital.

The selection of a given concept of capital affects the way the enterprise is managed. This influence is demonstrated by the establishment of objectives of enterprise operations and, depending on the objectives, a specific way of motivating managers is constructed. The concept of a business’s capital leads, for example, to specifying profit maximisation as the enterprise’s objective. Managers’ activities are then oriented towards the maximisation of sales or the minimisation of costs. The concept of the owner’s capital may rely on the assumption of the maximisation of value for the owner, which does not necessarily mean – at least over a short time span – the maximisation of profit. Managers’ motivation will differ depending on the case.

The adoption of a given concept of capital may affect not only the way of formulating the objective of enterprise operations, but also the value of profit. When the concept

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of a business’s (enterprise’s) capital is used, profit is generated by purchase and sales transactions and it has to satisfy claims of the owner and the business itself, preferably at the level that guarantees replacement at a minimum. However, for the purposes of the owner’s capital, a part of profit can be earned through the valuation of capital resources (which is the case at present), and the owner is entitled to the whole profit, also to its part arising from an increase in the value of capital.

Although external macroeconomic forces have no direct impact on the establishment of objectives by respective enterprises or on the primacy of one or the other concept of capital, they exert an indirect influence on enterprises and the way of their management through the selection of a specific market economy model; while under the conditions of laissez-faire economy a short-term profit maximisation prevailed, the current market economy rules inspired by theoretical thinking on monetary economics allow for the maximisation of value for the owner. It should be emphasised that not only objectives set by enterprises depend on the market economy model, but also the nature of the market itself is contingent on the socio-economic environment, determined, in turn, by the macroeconomic policy of a given state.

The economic environment is formed by a multitude of factors, including the level of economic development, the economic policy implemented by government and self-government bodies and, first of all, the adopted economic system. The state’s economic policy in fact exerts an increasingly strong impact on the performance and competitiveness of enterprises. The state’s policy determines the extent of market monopolisation, which has a huge influence on the level of maximised profit or the technical and economic optimum of a given enterprise. These issues have been described extensively in the microeconomics literature focusing on the analysis of enterprise behaviours on the market.

In general, enterprises observe intently the macroeconomic situation and, first of all, the changes taking place in the socio-economic environment and, depending on this situation, they set objectives for managers. The objectives of an enterprise represent an important subject for theoretical considerations; they were the focus of attention for the theories of business enterprise in particular. An interesting discussion about the diversity of objectives has been presented, for example, in the already cited book by S. Sudoł. Changes in the development of enterprises, generalised in various theories of business enterprise, indicated that in different periods more or less importance was attached to such objectives as short-term profit maximisation, market value maximisation, profitability maximisation, the maximisation of value for the owners, goodwill maximisation or, finally, a service to society by satisfying its social needs. However, if the enterprise’s natural objective is not the existence per se, but its development, it can be concluded that all these current partial objectives – imposed either by contemporary market trends and processes or by the state’s economic policy – converge to form one general and imperative objective: profit maximisation over a long time span.

If the generation of profit over a long time horizon is regarded as a general and overriding objective of an enterprise, it will be necessary to have an appropriate model for profit measurement; namely, an accounting information system capable of delivering appropriate data to build such model. A profit measurement model is a function of two variables: a concept of capital retention and a parameter of asset measurement. Taking account of the discussions on this subject in the literature on the theory of accounting as well as the concept of profit measurement preferred by the International Accounting Standards (IAS), it seems, from the perspective of the above-mentioned objective, that the most appropriate model would be the one incorporating the concept of tangible capital retention with the concurrent adoption of the reproduction cost principle for asset measurement. Such measurement model takes account of the conditions for replacement, ensuring that a business continues as a going concern. It would secure the capitalised value carried forward and the value that has to be capitalised to enable the business to continue. The efficiency of an enterprise would be reflected in its profit, remaining after the part necessary to ensure the reproduction of operations has been deducted.

Thereupon another key issue emerges, namely the question of the efficiency of enterprise operations as such and its dependence on the current macroeconomic policy. The synthetic expression of economic performance is the extent to which the business’s objective has been fulfilled in relation to expenditures incurred. Revenues and expenses are the categories that make it possible to measure economic performance. Revenues and expenses are affected by the nature of the market and boundary conditions, manifested, for example, in the parameters of the tax policy or interest rates; monopolistic enterprises obviously have radically different possibilities of generating revenues in comparison with businesses operating on a competitive market. The tax policy, more or less restrictive, has a considerable impact on performance indicators recorded by enterprises. Furthermore, depending on the state’s macroeconomic policy, the economic performance incorporated into enterprise management processes can be of a prosocial or individualistic nature.

2. ENTERPRISE MANAGEMENT FROM THE PERSPECTIVE OF MARKET PROCESSES

Economic processes taking place on the market are influenced not only by the so-called laws of the market; they are also strongly affected by the socio-economic environment. However, the environment in which the enterprise operates does not exert an impact on it in its entirety, through the forces of macroeconomic conditions, or, in any case, not all of its component parts have the same strength of influence – the determinants of the natural, cultural and, most of all, social environment remain aside to a considerable extent. Taking into account the prevailing neoliberal theory the latter simply have no chance to be among the boundary conditions setting the direction for enterprise operations. Thence, the more difficult it is to transform such conditions that take consideration of the determinants of the social environment into a measurable macroeconomic criterion of social performance.

Each state has prerogatives to exert a significant influence on the effects of business operations of enterprises by means of its economic policy, i.e. through taxation,
ic planning of its expenditures and, above all, by changing the amount of money in circulation. Macroeconomic determinants play a key role in deciding about the nature of the market: whether it will be more competitive or more monopolistic, autarkic or open to the world economy. Macroeconomic forces moulding the nature of the market and manifesting themselves in the economic policy implemented by the public authorities exercise their influence also on the way of managing enterprises. This influence is not direct, but it is exercised indirectly, through various theories of enterprise. These theories are formulated on the basis of observations of economic processes that take place on the markets characterised by a different extent of competition and – at the background level – different state-market relations.

As already mentioned, the economic processes observed on the market do not result exclusively from the operation of the laws of the market and are not governed by these laws alone. The market is not in the least a piece of technical machinery that decides about the allocation of capital resources in compliance with competitive objectives of enterprises; it operates in a specific environment and responds to a number of economic parameters established under the definite economic policy. Thus, the conditions are created for the socio-economic governance in which this market operates. The theory of economics, prevailing at a given time, has a tremendous influence on the shape of this governance. Therefore, it can be claimed that although enterprise management concerns the microeconomic sphere of operations, it adopts its quality characteristics from the currently prevailing theory of economics.

At present, enterprise management is influenced by neoliberalism, an economic theory that undoubtedly occupies the dominant position. It is a contemporary variant of liberal economy, which recognizes the achievement of economic benefits, in the form of profit, the maximisation of which has become a common imperative, as the main driver of economic progress. Profit, being an ultimate goal, can be realized through a variety of ways, and its achievement is quite often preceded by the fulfilment of different partial objectives. Product manufacturing and service provision are the traditional ways of earning profit, however, in the present times not the only ones any more, as there are many ways of generating profit that are not necessarily related to the supply of products and services to the market. The rational behaviour may be thus defined outside the structure of supplied products and services. The formulation of objectives and ways of their fulfilment represents the main economic function of management. If the determinants of management processes change, changes occur also in the nature of management itself.

In the liberal concept “the basic task of a business is to process the factors of production into products (services), in compliance with the technical relations defined by the functions of production and the utilisation of marginal accounting”\(^6\). It is assumed that a business has the complete information about the market available to it and the pricing system provides a sufficient basis for making reasonable choices – since owing to

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\(^6\) W. Przychodzień, *Zrównoważone przedsiębiorstwo – teoria, praktyka, wycena, kształcenie*, Poltex, Warszawa 2013, p. 82.
the knowledge of prices of the factors of production, available technologies and the structure of manufactured products and services, it can optimise the factors involved in production processes to achieve the maximum effect with the planned expenditure or to achieve the planned effect with the minimum expenditure. It is a well-known principle of reasonable stewardship, expressed by Tadeusz Kotarbiński in the following way: “[we can talk] … about recommendations aimed at the economisation of activities, which means rendering them more economic, i.e. either more economical or more efficient”7. However, the principle of reasonable stewardship can only be used when both the objectives and the means are measurable. In fact, in the course of development of money-based economy it has become possible to express these values in cash accounting, although it presents also some difficulties, because, as a result of changes in the value of money itself, the categories of revenues and costs, used for profit measurement, may fail to reflect a significant economic content. Moreover, it should be noted that profit measurement models are a function of two variables: the capital retention principle and the parameter adopted for asset measurement. The amount of profit in the case where the retention of the authorised capital and the measurement of assets at the acquisition price are assumed may turn out to be completely different from the case where the actual capital is retained and assets are measured at their net present value. There could be a lot more measurement models, making it even more difficult for managers to decipher the economic essence of the reasonable stewardship principle.

On the basis of the neoclassical approach to the market economy the theory of the enterprise has been developed, pivoting on the “input-output” principle of capital flows. According to this theory the enterprise would choose a certain system of variables, including the factors of production and available technology, treating capital as a specific whole and using it in its entirety for profit maximisation. Under such circumstances the task of management consisted in the determination of the structure of manufactured products and provided services, appropriate from the point of view of social needs, and the identification of the optimum way of utilising the factors of production to support such structure. Choices were made on the basis and by means of prices, i.e. signals coming from the laissez-faire market. Enterprises were perceived as “recipients” of prices, therefore, in this theory, entrepreneurs would play a passive role in relation to the market.

However, the progressing processes of capital concentration and centralisation have restrained significantly competition in the economy. The model of the optimum enterprise has no longer concurred with the new reality, where free competition has been replaced with monopolist competition. Objectives and conditions for profit maximisation have changed drastically, which has been clarified most thoroughly by managerial theories. Joseph A. Schumpeter8 is regarded as a forerunner of these theories. In his theory of social development the dominant role is played by an enterprise whose task

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is to implement technological innovations, owing to which new products can be launched into the market and the demand for such products can be created. The market is no longer an independent entity to which one can passively adapt, continuously searching for an optimum adaptation criterion; the market should be conquered and captured by continually offering new products and services. The conquest of the market is accompanied by the development of the enterprise up to the point where the enterprise starts to rule the market. In this concept price competition represents only a fragment of economy dynamics – price competition is less important than product competition or competition in creating new technologies, finding new sources of supply, etc. The optimum allocation of resources is no longer important either, what matters is to gain control over the largest possible share of the market for one’s own products. As observed by William J. Baumol, it means that the maximisation of profit gives way to the maximisation of sales\textsuperscript{9}. Even cost-effectiveness loses in significance, which can be evidenced by a tremendously enlarged share of advertising expenses in the total expenditure of businesses\textsuperscript{10}. On the market thus arranged managers’ motivation is related not so much to profit, but to takings, and the owners have to be satisfied with a certain amount of profit, as they have no control over management processes. It has become possible since the moment the management capital function clearly separated from the owner’s capital function; the way of managing changed at this point as well as – which is crucial – the interpretation of rational behaviour.

The emergence of managerial theories has been accompanied by the development of a behavioural management theory, attempting to describe and analyse more realistically the decision making processes in a enterprise. The authors of the behavioural approach try to understand and explain why and how managers of businesses take decisions under the conditions of uncertainty and risk. According to their theory the decision making criterion holds the primacy in management, while decision making relies on experience and on the approach based on experience. Management does not pursue any more the maximisation of one objective only, but rather a set of objectives; the primary objective of a business is not merely its survival, but development. One of the conclusions drawn from these observations has been the placement of emphasis on working out a long-term strategy and involving employee teams in the management process.

Behavioural theories have emerged in response to the new reality, in which the market is no longer autonomous, but regulated and shaped by governments’ policies. Herbert A. Simon, considered to be the main author of the behavioural theory, has claimed that the enterprise is not derived from the market, but, vice versa, it is the market that is derived from the enterprise\textsuperscript{11}. He has noticed that in their pursuit of profit business-


es tend to cooperate rather than to compete, and, furthermore, they influence the market demand and structure to a considerable extent. Consequently, the market can be defined as the area of organized economics, populated by organizations related to each other and to consumers – recipients of the goods supplied by them. In other words, this network of interactions and interrelations between organizations and between businesses and consumers makes up the market. The functioning of businesses themselves consists in principle in fulfilling specific tasks by their employees, enhanced, in the opinion of behaviourists, by the appropriate amount of autonomy and employees’ initiative, which can be reasonably expected of them. While working together the employees of the enterprise create the so-called organizational culture, which should support and reward proactive attitudes.

The market reality that the behavioural theory of enterprise tries to describe results from the substantial market saturation with various products and services, and, concurrently, from the high level of capital concentration and centralisation. The criterion of profit maximisation can be fulfilled over a long time horizon, although it necessitates subduing the market by means of products and services supplied to it and creating new consumer needs. In consequence, this situation leads to the emergence of business groups and networks of cooperating enterprises. As the goal of a business group is to ensure the optimum production growth rate, profit maximisation merely accompanies this goal. Management processes are focused on the maximisation of functionality of offered products. As a result, the risk assumed by managers increases dramatically and it is then transferred to smaller cooperating businesses. Such functioning of the market illustrates the effects of the neoliberal approach to the economy, where the state can no longer guarantee healthy market competition, as its role has been reduced to a minimum. The application of the principle of rationality is thus restrained by the pursuit of satisfactory efficiency.

3. MANAGEMENT PROCESSES IN THE GLOBAL ECONOMY

Economic globalisation has significantly imprinted on the nature of market economy, owing to, among others, the considerable expansion of the area for capital migration on the world market. One of the Polish authors concluded that “… vast transformations of the capital market cause that nowadays capital is characterised by the unprecedented mobility and it flows where it can be readily multiplied”.

The strife for increasing the scale of sales necessitates the formation of large international organizations, the so-called transnational corporations, and the tightening of relations with the broadly understood economic environment. Consequently, the relations between the market and a business entity have changed profoundly. The objective of business operations is not necessarily determined by consumer needs, as the awareness of consumer needs has already reached a high level and its increase has its limits. Further profit maximisation would require the creation of new needs and the relevant remodelling of social awareness, resulting in the acceptance and assimilation of such needs. Therefore, on the global market these are corporations that create or

determine goods and values that should be considered desirable by consumers. In effect, a new objective for management processes has emerged – providing a new quality in effective management. According to Władysław Szymański, “… [all]ocation of the factors of production and, most of all, allocation of knowledge and capital across borders has changed the optimum combination of the factors of production, the optimum production profitability and the optimum of profitable locations” 13.

The management process on the competitive market, on which transnational corporations operate, has become extremely complex. On the one hand, conditions for enhancing the mobility of the factors of production and vast possibilities of allocating products and services have been offered. On the other hand, the purposefulness of this allocation is often questioned on the grounds of different foreign exchange rates and the necessity of taking account of the opportunity cost of a choice. When decisions are taken on allocations on the international market, profit may not be treated as an accounting category – it has to be an economic category. In pursuing this goal international corporations encounter barriers of the economic policy of a given state and they are also often thwarted by differences in culture and habits. Only large and strong transnational corporations are able to overcome such barriers, as they are capable of enforcing the acceptance of values formed on the global market by respective states and societies. Competition on the worldwide markets induces corporations to embark on unconventional actions and apply innovative solutions based on knowledge, intangible assets or new management competences. Numerous companies are not capable of responding to such challenges, which pushes them out of the global market or drives them to ally themselves to a strategic investor – a leading corporation that sets objectives and decides about profitability conditions for subcontractors. Only a strategic investor enjoys autonomy and freedom of decision making with regard to the direction of investment or scientific research or human resources management; enterprises ranking lower in the network of global relations usually play the role of subcontractors and have to defer to their parent company when key issues are at stake. Relations of this kind lead to a high degree of monopolisation on the global market. Through orders, contracts and cooperation transnational corporations successfully control the whole chain of production connections. Their recognisability on the diversified global markets increases their ability to find cheap local suppliers, who, whether they want it or not, have to abandon their own production and start to manufacture products or provide services for their global partners. This risk resulting from market unpredictability and the cost of maintaining spare capacity is then transferred to these suppliers. Because of, among others, such practices, ensuring the elimination of transaction costs, costs of looking for partners or conducting negotiations, etc., the operating efficiency of global businesses can outperform what is within reach of their local and regional rivals.

Global businesses compete against each other with regard to the final good and methods for attracting customers. Businesses run by suppliers and subcontractors are doomed to enter into passive competition, where they have to accept the already existing market pricing system. The presence of global corporations, which consciously impose selling prices on customers and control their preferences, hampers the allocation functions of the market. The management of a global business entails managing network structures and creating a common mass consumer for manufactured products. Concurrently, the forms of work organization and social life models undergo changes. The development of information technologies is perfectly conducive to these trends.

In the global economy, governed by large economic organizations, the impact of market factors on management processes does exist, but it is not dominant. Corporations compete fiercely for the control of the market and the possibility of shaping it at their own discretion. Behavioural theories of enterprise, referred to hereinabove, deal with the clarification of the global market phenomena. They generalise the processes taking place on the market, on which the function of owning capital has already been effectively separated from the function of managing capital, and the ownership is scattered, as a result of which owners have almost no control over managers. As Zbigniew Wiszniewski comments “It is recognized that to understand the contemporary business decision making it is first necessary to complete the context formed by market factors by investigating the internal functioning of a firm. It is aimed to determine the impact exerted by organizational structures and current practices on the formulation of objectives and the making of choices”

This approach results from the fact that in a large economic organization manifold functions are utilised by different individuals representing their own interests. A business manufactures numerous products and sells on multiple markets. Inside the firm and in its environment a lot of information is supplied that needs processing into decisions taken by individuals and groups, each having their own interests. It is impossible to identify all these interests and to integrate them at some level of interaction, at which the objective of the firm could be formulated. However, it is necessary to identify such objective and employees have to be motivated to fulfil it. Thence, a strong emphasis has to be placed on motivation, which explains the multitude of various incentive schemes that, apart from pay, bonuses, rewards and other monetary forms of remuneration, offer employees, for example, shares and options, benefits such as a company car or office equipment and satisfy employees’ higher level needs through distinction, appreciation, building the prestige, etc.

New conditions for business activity emerging in the process of market globalisation create the premises for far-reaching changes in the functioning of contemporary enterprises, and, most of all, contribute to the origination of a new quality of management, perceived from the perspective of both new objectives of a global corporation.

14 Z. Wiszniewski, Mikroekonomia współczesna, Wyższa Szkoła Bankowości, Finansów i Zarządzania w Warszawie, Warszawa 1997, p.188.
and a new criterion of efficient operation. Macroeconomic forces related to the current trend of economic neoliberalism, i.e. monetarism, play a major role here. This direction of thinking is known predominantly for its recommendations to deregulate the economy and further reduce the role of the state, which happen to be the prerequisites for creating the global market. The monetarist way of thinking is also the source of such phenomenon as the possibility of earning money on the volatility of the same. It is obviously true, and has to be admitted, that an increase in production to satisfy the needs of the global market as such will not open up the sufficient possibilities of generating the desirable amount of profit. The accumulated financial capital only has one option to multiply itself, apart from its transformation into production capital, that is to earn on the volatility of money. The monetarist thesis that the economy can be influenced through money is conducive to this view. The condition for the above is to treat money as a commodity, which means in practice that its value can be influenced by the operation of the law of demand and supply. It can be readily understood that under these circumstances the natural objective of management is to manage money, and, most of all, to maximise goodwill. Therefore, the analysis of relations between values created in an enterprise and the way of management gains a new dimension. It is clear, particularly taking account of the expansive development of financial markets, that the maximisation of value for shareholders has to be the managers’ primary objective. For the purposes of financial markets also the objectives of the accounting system have been quite substantially modified; the accounting should not so much describe the reality, but provide decision-makers with the information helpful in taking decisions and, in particular, it should support these management functions that concern the allocation of financial capital.

The perception of an enterprise as a set of certain contracts, formulated under the conditions of changeable values – such as interest rates, foreign exchange rates or the net present value itself – provides for managers the opportunity to express their own opinions in financial statements. These opinions may concern, for example, the anticipated economic conditions in which a given business entity will operate. It should not be surprising that in such situation managers willingly take advantage of the freedom to create financial results, offered to them by accounting.

New solutions in accounting are inspired by expectations of financial markets. These new solutions, including in particular the use of fair value accounting for asset measurement, have led to the development of the phenomenon of profit management. Profit management takes place when managers make use of the procedures for fair value measurement of assets to create the desirable financial result. Fair value is simply the expected net present value, at which a given asset can be sold in the future. It is based on estimation and is subjective by nature. As it could easily be predicted the above procedure has resulted in the phenomenon of asset revaluation, leading to the overstatement of the value of capital, and, consequently, profit manipulation. Financial statements disclose the values of profit derived directly from capital as such, completely disregarding the transactional character of business activities. The forecasting of future cash flows on the basis of the conventional understanding of profits, i.e. transaction profits, becomes increasingly rare. Instead, the accounting system offers
another concept of profits, disclosing not only the present profits, but also those to be realized in the future.

The approach to business activity described hereinabove and the adoption of a subervient role by the accounting policy are correlated with the changes in the management process itself, where managers are motivated to act on behalf of owners or, strictly speaking, on behalf of shareholders. The status of a business entity has changed as well: its objective is to maximise value for shareholders. It results from the fact that goodwill is another parameter measured at fair value; it can be used, for example, in case of mergers. It is not a secret that the accounting policy adopted in numerous companies provides room for creative accounting, which, circumstances permitting, makes it possible to overstate goodwill. In order to utilise fully the possibilities of value management, managers are motivated e.g. by cash bonuses or stock options, which inevitably leads to inflating artificially the prices of shares of the companies managed by them. It should be added that incentives based on managers’ participation in capital (e.g. stock options) represent a mechanism that stimulates short-term thinking, which may be detrimental to long-term development prospects of a business. It should also be noted that the value of capital inflated as a result of asset revaluation provides the grounds for shareholders to increase their capital claims, which, in turn, may result in the depletion of capital indispensable for a business to continue its activity.

The phenomenon of the so-called derivatives should not be overlooked, either. These derivative instruments are used by managers to hedge against risk, but almost equally often they turn out to be a perfect method of transferring cash. They provide an opportunity to earn on the volatility of money itself – without any capital contribution – however, it should be remembered that, just like in any other game, for someone to win, someone has to lose. In effect, the phenomenon of value management, very much characteristic of monetarist rules of the contemporary market, ranks at the top of the list of major causes of financial turbulences and economic crises that we observe and in which we participate (or rather we fall victim thereof). For transnational corporations the efficiency of operations consists in generating as many cash flows as possible on the supplied short-term products, creating desirable goodwill and managing values in the way that ensures the upward trend for prices of their shares. With the skilful manipulation of the global market, which these companies have proven to be capable of, all the above is quite possible and can continue for a long time.

CONCLUSION

The purpose of the article is to present the relations between enterprise management processes and macroeconomic forces moulding the character of a given market and the socio-economic environment. Macroeconomic forces exert an impact on both the objectives of enterprises and the measurement of their economic performance. These two determinants of management processes contain certain social contents, but they have been appropriated and subdued to the optics of individual gains. For this reason they have been deprived of socially desirable values and, therefore, they carry the potential for conflict. Consequences of the above manifest themselves as the degradation of the natural environment, over-exploitation of non-renewable resources or the uni-
versalisation of a lifestyle based on consumption. To bring these increasing phenomena to a halt it is necessary to both transform the model of market economy and embed the parameters expressing the criterion of macroeconomic social efficiency into the socio-economic environment.

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BIOGRAPHICAL NOTE

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