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WHAT ARE THE INTERNAL FACTORS THAT AFFECT THE MANAGEMENT OF A CORPORATION? - IN THE PERSPECTIVE OF LITERATURE REVIEW

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Abstract:
From the review of various literatures, we have come to the conclusion that the main internal factors that affect the performance and management of a corporation are: *1) Human Resources Factor; 2) Financial Factor; And 3) Technological Factor*. These three variables are one of the most important internal factors of a corporation that have a significant impact on the activity and management of the corporation. Moreover, corporate managers have control over internal factors that can be managed and controlled at any time by them. The purpose of this research is to explain how internal factors affect the performance and management of corporations. The contribution of the article is shown in determining the essential characteristics and their impact on the management of the corporation from secondary data by reviewing the literature by different authors over the years and drawing conclusions and recommendations based on the sources obtained. The research shows that the financial factor is the key factor that affects the performance of a corporation, followed by the human and technological factors.

Keywords: corporate management, financial factor, human factor, technological factor

1. Introduction

The failure of a number of corporates in the past ten years (Enron, Tyco, Parmalat, Skandia, Lehman Brothers, etc.) made it obvious that companies needed to make additional changes to their corporate governance (CG) in order to increase transparency and ensure shareholders' reliance on corporation management. Numerous studies have been conducted to define corporate governance, concentrate on its traits, and ascertain how these traits affect the functioning of the entire organization. By giving a precise

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definition of excellent corporate governance, studies were able to find numerous solutions to research-related questions.

Studies have also looked into the practices and ethics involved in managing and keeping an eye on a company's performance. The majority of this research sought to determine how corporate governance practices and performance indicators related to one another. Market investors' trust started to wane following Enron's demise and the ensuing corporate scandals that started in October 2001. Many investors, boards of directors, and government authorities have urged corporations to emphasize corporate governance from many angles in reaction to this deterioration. Accounting and finance, economics, law, and management are a few of these various perspectives. In addition to these differentiating characteristics, different nations and economies have different views on the ideal governance practices. For instance, most enterprises in Taiwan are family-owned, whereas, in Anglo-American countries, equity markets are the most common form of ownership. The right governance procedures must be put in place regardless of whether a corporation is located in Asia, Europe, or the USA when determining the best approach to build it. This will make decision-making easier for any firm. It is quite challenging to describe corporate governance given the many aspects that go into business structuring and the cultural variations that might exist between economies, countries, firm founders, and investors. There isn't a single definition for this, according to an examination of the literature. This study adds to the previous research that examines how corporate governance strategies by identifying external and internal factors of the corporation affect the well-being of the entire organization. The document will also assist stakeholders in recommending internal factors to consider. The study will help to identify the main factors and the importance of good corporate governance, this automatically affects the building of confidence in the market and the attraction of enthusiastic investors.

The paper is structured as follows: Part I: Presentation of the problem, Part II: Literature review, Part III: Conclusions and recommendations.

2. Literature Review

Studies from all over the world have looked into how corporate governance factors affect the performance of firms. It is helpful to evaluate certain studies from different nations in order to comprehend and inform the current study. On the basis of 25 earlier research works, Sayla Siddiqui (2014) looked into how corporate governance traits affected firm performance. Siddiqui's research focuses on three specific issues: how governance frameworks, legal entities, and accounting or market performance measurements affect corporate performance. The results show the significance of Tobin's Q performance indicators for the company. The fundamental value of this relationship, according to the study's findings, is the market-to-book ratio.

Examining the connection between corporate governance and institutional ownership on the Kuwait Stock Exchange allowed Hamdan and Al-Sartawi (2013) to

gather more data from GCC nations (KSE). Their empirical findings show that the proportion of institutional investors' shares in a firm decline as the quality of its governance system. Hamdan (2014) examines the relationship between corporate governance and dividend policy in another study (KSE). This study provided empirical support for the association between dividend policy and corporate governance as being favorable. It provided evidence in support of the claim that better corporate governance is associated with an increase in dividend policy, and that this relationship is unaffected by external financing restrictions. According to Al-Shammari and Al-Saidi's (2015) research, a company's timeliness of corporate internet reporting behavior may be influenced by corporate governance and company-specific traits. This is probably a reaction to the agency costs brought on by the information asymmetry between management and investors. According to Khamis et.al. (2015), institutional ownership has a favorable impact on performance as measured by Tobin's Q indicator. The correlation between corporate governance and a firm's value and performance was examined by Krafft et al. in 2014. The investigation focuses on mergers and looks into the methods used by non-US firms to adopt American best practices. According to the study's empirical analysis, many firms are largely embracing the finest corporate governance methods used by American corporations.

In order to investigate the effect of corporate governance measures on bank performance in 9 Nigerian banks, Fatimoh Mohammed (2012) performed a study. He took a ten-year sample period (2001-2010). According to the data, corporate governance significantly improves bank performance. Additionally, it shows that low loan deposit ratios and asset quality are detrimental to business profitability. In order to show the connection between operating success and corporate governance of Chinese listed businesses, Sami et al. (2011) conducted a study. Results indicate that several indicators of governance are positively correlated with company performance. Regarding the connection between board composition and business success, the study came to no definite conclusions. Ehikioya did draw the conclusion that performance will suffer if there are more than one family member on the board. According to Lam & Lee (2008), the only corporate governance theories that provide a convincing explanation of duality and performance are the agency and stewardship theories. According to the study's empirical analysis, duality significantly affects non-family business performance and vice versa.

Taking into account the importance of internal factors in the management and progress of the corporation and in this direction, various works, and many authors have been published. Authors who withstand **Human Resources** as the first factor: Heneman (1969), Chao (1997), Ulrich (1997), Barber, Wesson, Roberson & Taylor (1999), Rollag (2002), Williamson, Cable, & Aldrich (2002), Heneman & Tansky (2002), Katz & Welbourne (2002), Rollag and Cardon (2003). Authors who sustain the **Financial Factor**: Liargovas & Skandalis (2008), Iswatia, & Anshoria (2007), (Walker, 2001), Almajali et al. (2012), (Walker, 2001), Antoun et al. (2018), Abdel K. (2014), Anila & Xhuvan (2015). Authors who withstand the **Technology Factor:** Siqueira, Fleury (2011), Chládková

(2015), Yasar et al. (2011), Szarowská and Rková (2017), Swierczek & Ha (2003), Gundry et al. (2003).

3. The Human Resources Factor

We are aware that as new corporations increase their rates of sales or production, they must likewise increase the number of people they employ. However, few studies have looked at how these people are found, brought on board, trained, inspired, or compensated for their contributions to the project (for recent notable exceptions, see Katz & Welbourne (2002)). Although a lot of what we know about these classic HR subjects in large corporations may also apply in small or emerging enterprises, data suggests that new initiatives are different and that managing people inside them may not simply translate to managing in established organizations (Barber, Wesson, Roberson, & Taylor, 1999). For instance, new and small businesses may have more difficulties hiring staff members (Markman & Baron, 2003) and frequently lack established HR policies or systems (Williamson, Cable, & Aldrich, 2002). Although a functional approach to human resource management research has been criticized (e.g., Heneman, 1969; Ulrich, 1997), traditional HR topics are well-known to both academics and business owners, and as a result, they provide a useful framework for highlighting presently unexplored areas of inquiry into managing others in start-up ventures. Furthermore, even contemporary theoretical frameworks (such as Heneman & Tansky, 2002) that aim to take us beyond a functional HR perspective nonetheless include typical HR procedures like remuneration, staffing, and training in their model. This shows that a functional approach to human resources is still relevant, and we employ this framework throughout the paper. This section's goal is to review the studies on corporate human resource management. We argue that there is currently little theory or data available on training, performance management, organizational change, or labor relations in small and emerging firms after reviewing prior research in the fields of recruitment and selection, compensation, training and development, performance management, and labor relations. Furthermore, three fundamental aspects of human resource management that we are still learning about in this context lie beneath these functional areas: retention and ongoing employee issues, the integration and interaction of HR practices, and the evolution and modification of HR practices over the course of firm emergence. Additionally, unstructured training, informal on-the-job training, and organizational socialization are all significant in small businesses and frequently viewed as alternatives to conventional training methods (Chao, 1997). In fact, many Corporates take pride in giving employees greater opportunities for hands-on, highly interactive learning and eschewing codified procedures and processes that are more typical of large bureaucratic organizations (Rollag, 2002). The process of integrating newcomers to an organization into society has received significant attention as one particular type of training (Rollag, 2002; Rollag & Cardon, 2003). According to Rollag and Cardon (2003), socialization takes place more quickly in corporate settings, and larger organizations may want to use more inclusive

socialization strategies with their new hires rather than or in addition to the highly formalized and structured training sessions that keep new hires apart from other members of the organization and the work they will eventually be performing

4. The Financial Factor

Financial specialists, researchers, the general public, and corporate management have all expressed a great deal of interest in, and concern about, the financial performance of businesses. A company's financial success can be evaluated in terms of, among other things, profitability, dividend growth, sales turnover, asset base, and capital employed. However, there is still disagreement across a number of disciplines about how to quantify a firm's success and the variables that influence its financial performance (Liargovas & Skandalis, 2008). The utilization of multiple factors enables a more accurate assessment of the financial profile of enterprises because no single factor can capture all facets of a company's performance. Performance, according to Iswatia, & Anshoria (2007), is a result of an organization's capacity to acquire and manage resources in a variety of ways to create a competitive advantage.

According to Almajali et al. (2012), there are different ways to gauge financial performance. For instance, return on sales demonstrates a company's profitability in relation to sales, return on assets explains how effectively a company uses its assets, and return on equity demonstrates the rate of return on investors' equity investments. Three dimensions can be used to evaluate a company's success. The first factor is the productivity of the business, or how effectively inputs are converted into outputs. The second factor is profitability or the extent to which a company's profits exceed its expenses. Market premium, often known as the percentage by which a company's market value exceeds its book value, is the third dimension (Walker, 2001).

Antoun et al. (2018) carried out a study with the goal of examining the financial performance of insurance companies in Central and Eastern Europe. Their study spanned the years 2009 through 2014. The CAMEL ratios were used to build the FPI, which was then displayed using the computed index. They also utilized fixed-effect panel regression and discovered that while insurance concentration and economic growth have favorable effects, size has negative effects on asset quality, insurance company earnings, capital sufficiency, and liquidity. The study by Abdel K. (2014) focused exclusively on the private sector of the business and examined the financial performance of insurance companies in Pakistan. He determined that the sample size was 10 private insurances in Pakistan. The results of this study showed a negative correlation between operational efficiency and firm size and return on assets, but a positive correlation between operational efficiency and asset management ratio for larger companies. Additionally, the study finds that Asset Management and Interest Income are favorably correlated with the size of the organization, but that Interest Income is negatively correlated with operational efficiency.

Because of its influence on the money and capital markets, Anila & Xhuvan (2015) research has explored the significance of investment insurance in the growth of the

nation's economy. It was emphasized that these insurance policies frequently help various enterprises expand, which helps to stabilize the economy. The study conducted a financial analysis by using financial ratios in the insurance industry, concentrating on insurance investment in Pakistan from 2007 to 2011. The study focused on the contribution of insurance and the effects of a number of variables, including financial measurements, leverage, liquidity, efficiency, and profitability in addition to the size of the business.

Additionally, Ashfaq et al. (2017) assessed the effect of the Corporate Governance Index on the effectiveness of the firm's earning management, which is relevant to Pakistan's financial and insurance sector. The study used a generalized technique of movement for analysis, and many factors like return on assets, the book value of equity, borrowings by financial institutions, non-performing loans, loan loss provision, and corporate governance index were assessed. According to the study's findings, each component significantly affects the financial performance of Pakistani insurance. On the other hand, the non-performing loans were not expected to have any effect on the financial performance of Insurance.

5. The Technological Factor

The efficiency of systems, products, and services has grown thanks to technology. It helps in maintaining data flow, tracking and streamlining operations, and managing contacts and employee records. In actuality, the company can cut costs and grow quickly by running operations more effectively. For firms, technological transformation can present benefits and possibilities. Undoubtedly, new technology can lead to the development of novel goods and services, opening up completely new markets for a company. Additionally, advances in technical tools and procedures can boost output and cut expenses. It increases the utility of products and services and contributes to value creation. It benefits us in several ways and makes any task easier. There are both good and terrible implications of technology. Most of the time, technology advances increase productivity and provide essential tools for information organizing. Technology can potentially harm a firm by increasing impersonality in communication and fostering a false feeling of knowing. Technology has benefited numerous infrastructure industry sectors, including communication, transportation, education and learning, health care, and many more. Because engineering is the practice of developing technology, it is believed to be the primary force behind technological advancements in civilization.

Combining technological resources with human capital increases business productivity (Siqueira, Fleury, 2011). Chládková (2015) considers technical and technological development to be these firms' best opportunity based on a given SWOT analysis of the business environment. According to Yasar et al. (2011), both internal and external technical sources have a favorable effect on an organization's performance. The authors draw attention to intriguing details and the fact that companies that engage in worldwide business operations, make direct investments, and spend on research and

development perform significantly better than those that do not. According to Szarowská and Rková (2017), in order to achieve steady and sustainable economic growth, it is essential to raise the performance of human resources and increase productivity by advancing technologies, business practices, and innovation.

The SMEs should respond to the rapid changes in technology by implementing new processes and growth strategies in order to discover alternative ways to maintain their competitive advantage. Technology might be significant in this regard. In this context, technology and the enhancement of the industrial process are closely related. Previous research has shown that among the obstacles to SME development are a shortage of equipment and out-of-date technology (Swierczek & Ha, 2003). Gundry et al., (2003) revealed in their study conducted in the US that technical change innovations had a substantial link with market growth.

6. Conclusion and Recommendations

The first part of this study discusses how corporate governance traits affect a firm's performance. The study's findings are based on multiple theoretical and empirical studies of the characteristics of corporate governance from various nations. The body of existing literature shows that corporate governance is effective in raising a firm's performance.

6.1 About Human Resources Factor

The human factor is one of the most important resources in the management of a corporation. Trained and educated staff would greatly influence the performance of the Corporation. One of the factors that affect the good management of the Corporation is Human Resources. Starting from the administrative workers to the management, the board, and the shareholders themselves. One of the most important issues that small businesses encounter is the management of their human resources effectively (Deshpande & Golhar, 1994). The division of work inside a new organization develops through a series of local adjustments that founders' plans can only partially control (Katz et al., 2000). Our review of the literature indicates that early HR decisions have a significant impact on a venture's ability to succeed, that these decisions change and evolve over time as an organization develops, and that practitioners and academics in the fields of entrepreneurship and HR do not devote enough time to studying these decisions' long-term effects. "*Any plan for starting a new business should contain a roadmap for changing the organizational structure and HR system that mirrors the schedule for financial, technological, and growth milestones*" (Hannan & Baron, 2002).

6.2 About Financial Factor

The financial factor is one of the most important factors that affect the continuity and performance of companies. Of course, the financial factor affects the coverage of financial expenses, but on the other hand, it is equal to other competitors in the market. Today, large corporations are dependent on the financial factor, the moment this factor is

endangered, it is an indicator that the management of the corporation in the financial aspect is not going well. Many companies have failed in the market due to their lack of liquidity and the inability to fulfill obligations to third parties. For this, the managers of a corporation must pay special attention to this factor because it is key in the corporate, and from this factor come other factors such as technological and human resources.

6.3 About Technological Factor

If technology commerce is ignored and trade is taken for granted, the international economy will collapse and global development would stall. Technology has become increasingly important in business. With the creation of computer hardware, robotics applications, and software design and development, it grew into a massive industry in and of itself. Living without the presence of technology, which the majority of people enjoy these days, is difficult to conceive. It's like regressing to a bygone era when there were no computers, cell phones, or the internet. Without a doubt, the value of technology in business eventually led to a desirable lifestyle. Businesses are expanding and developing. It offers a system for conducting commercial connections that is speedier, more appropriate, and more competent. Based on the findings of the study, it can be concluded that individual and technological factors positively influenced the usefulness of the management of the Corporation. The findings of this research also proved that the technological factor is key to the good financial and human management of the Corporation. Based on the conclusion of the study, it was recommended, among other things, that Corporations should be encouraged in the use of technology devices, as technological factors affect their perceived usefulness. Governments and institutions must also make available the necessary facilities to maximize the potential of these technologies.

Conflict of Interest Statement

The author declares no conflicts of interest.

About the Author

The author (Kosovare Mustafa Sadiku) is a PhD candidate at the University of Tetovo in the Republic of North Macedonia. His field of study is Marketing.

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