


## MICROECONOMIC ASPECTS OF SUSTAINABLE DEVELOPMENT – IMPORTANCE FOR MARKET ECONOMY

**ABSTRACT:** The subject of the paper is a connection between certain microeconomic aspects of importance for the functioning of modern organizations in the context of sustainable development. Modern companies must be open to modern ideas, they have to become competent in viewing different problems from different perspectives, become more flexible and sensitive to the market warnings and be ready to implement the changes in the process of management. Nowadays, in a situation of a big suspense, companies are facing with more complex goals, the evolution of work organization towards its self-government and the generation of flexible working forms, with an emphasis being put on the improvement of the employees' skills and the development of some new models such as a 'career without borders'. Some research has found that when creating a model of the modern market economy, it is necessary to take into account almost all the details such as sustainable development, the development of knowledge and competences-based companies, giving employees the opportunity to build the companies by themselves using the temporary management and networking. In the process of development of a modern organization, there should be taken into account certain factors in the process of its functioning such as both internal and external requirements, the employees predispositions, in other words all the presumptions

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\* Assistant Professor, The Faculty for Economics and Engineering Management in Novi Sad, The University of Business Academy, Novi Sad, Serbia, e-mail: [ivana.j.milosevic@fimek.edu.rs](mailto:ivana.j.milosevic@fimek.edu.rs)

\*\* Assistant Professor, The Faculty of Agriculture, The University of Novi Sad, Novi Sad, Serbia, e-mail: [mirela.tomas@polj.edu.rs](mailto:mirela.tomas@polj.edu.rs)

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involved in the question of entrepreneurial activity. The aim of the paper is to present the selected microeconomic aspects of importance for the functioning and improvement of the work of organizations in turbulent market circumstances according to the sustainable development. The work is intended for all those who operate in a modern business environment, regardless of the form of the organization or a type of activity.

**Key words:** *microeconomic aspects/ sustainable development/ enterprise, market economy*

## **1. Introduction**

Because of the big suspense, companies are facing with the complex goals, the evolution of work organization towards its self-government and the generation of the flexible working forms, with an indication of improving the skills of employees and the development of some new models such as a ‘career without borders’, reducing chances to achieve company outcome through control of hierarchy and on improving skills of the employees. Modern managers have been accepted all those working styles and took into account all the resources, in the accelerated market environment, like marketing, sales, production, financial, organizational and other resources. Companies operate during the Fourth Industrial Revolution. As some author interpreted this means that the industry is becoming more “intelligent” through comprehensive exchange of data, predictable analytics and the use of the Internet (Porter & Heppelmann 2015; Lenka et al., 2017). A new way of doing business is necessary (Iansiti & Lakhani 2014; Cenamor et al., 2017) and that is directly related to the company’s capacities (Imran, 2018 ; Rußmann et al., 2015; Vaschneck et al., 2016). The digital economy is not limited to the IT sector and digital companies. The highest economic returns are achieved by switching to digital processes and implementing digital technologies in value chains in all sectors of the national economy (Tkachenko, Kwilinski, Klymchuk & Tkachenko, 2019). This paper pointed out the most important microeconomic aspects of sustainable development that affect the modern model of market economy.

## **2. Contemporary market economy model**

The microeconomics studies different behaviors of individual economic entities depending on market conditions, in all market economy countries (Šagi & Šuvakov, 2004; Trivić & Šagi, 2004). Microeconomics is often

based on models, ie simplified reality, with which it tries to explain economic phenomena by focusing only on their main characteristics, assuming that all other parameters are unchanged (Brkić, Brkanlić, Gardašević & Vučurević, 2017). In the global economy, business management is based on market economy model factors such as (Dźwigoł, 2021, p. 100):

1. economy which is knowledge oriented,
2. development that is sustainable,
3. an organization that is sustainable,
4. networking,
5. social involvement and
6. management which is of a temporary character.

### **3. The concept of the knowledge economy**

A knowledge-based approach is a key factor of the model of the market economy. The human capital and the innovation are the essence of this type of the economy, and they provide further the long term development (Welfe, 2009). Modern changes in the economic field, like forceful information flow, usage of information and communication tech, as well as the increased position of the overall knowledge, have lead to a concept called as stated above (Trzcielinski, 2015; Yeo & Lee, 2020). In modern economics this term is considered a trend. According to author Toffler, in the contemporary economy system, a key role is played by those terms: information and knowledge. These above mentioned innovations in economics are the consequences of the technological revolution that has imposed the interdependence of economics and science (Toffler 1997; Dworak, 2012).

KbE assumptions shape trends arising from the growing importance of this area and investments in intangible resources, ICT technologies spreadings, the information society creation (Lozano Platonoff, Sysko-Romańczuk & Moszoro, 2004). Among the elements that make up the business model, four basic strategic dimensions should be distinguished (Shafer, Smith & Linder, 2005):

1. Strategic indicators (customers, value offers, abilities, revenue, competition, offers, strategies, brands, stabilization, mission-vision);
2. Creation of the value (resources, assets, activities);
3. Value acquisitions (costs, profit, finance);
4. Network of value (customer relationships, suppliers, customer information, product and flows of the service).

As Kucznik (2019) pointed out, the knowledge-based economy consists of four pillars:

1. Environment: institutional and juridical – system of economic incentives through the financing of entrepreneurship and the removal of market barriers, primarily legal ones, than administrative and finally economic.
2. Systems of innovations: data per million inhabitants included the number of the employees in the Research and Development sector, number of scientific publications, number of technical solutions, number of technical patents.
3. Education, training, lifelong learning.
4. Per 100.000 inhabitants information infrastructure.

The concept of the economy based on knowledge can be more easily understood by pointing out the difference between industrial economy and knowledge economy, which are shown in Table 1.

**Table 1.** Differences between industrial economy and knowledge economy.

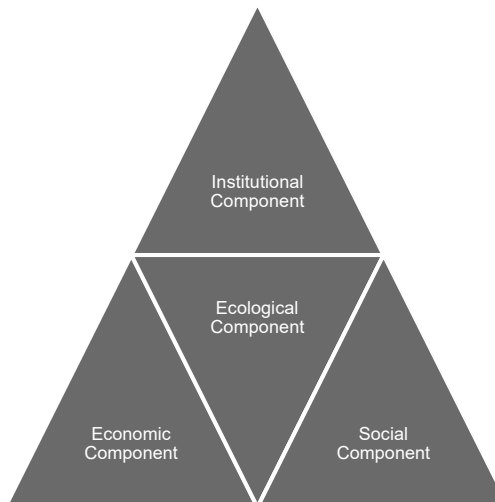
Industrial economics	Distinguishing criteria	Knowledge economy
Fast	The changes	Even faster
Long	Product life	Short
Large industrial companies	Key driver of the economy	Innovative companies
Local	Competition	Global
Stability	Emphasise on	Change Management
Cheap raw materials and labor	Competition advantage	Quality, Innovation
Financial capital vertically	Rare resources	Human Resources
Vertically	Making decisions	Distributed
Periodic, linear	Process innovation	Continious, systematic
Internal processes	Focus	Entire value chain
Pyramidal, bureaucrtic	Organizational structure	Network
Vertically	Leadership	Empowering employees
Diploma	Education requirements	Continious learning
Confrotation, preasure	Relationship managers and employees	Cooperation, teamwork
Cost	Employees are viewed as	investment

Source: Drašković, 2010, pp. 84–85.

#### 4. A review of the sustainable development

The creation of the idea itself was preceded by two basic elements of the idea of sustainable development: the term of the development and the term of the sustainability. As the author Sharplei said (2000), these two terms could be contradictory, because the both concepts having possible counterproductive effects, although some other economists said that there is no contradiction between these two terms (Lele, 1991). Various interpretations are given to the understanding of these two terms (Klarin, 2018). The four dimensions of sustainable development are shown in Figure 1. according to Spangenberg et al., 2002.

**Figure 1.** The four dimensions of sustainable development.



Source: Spangenberg, Pfahl, & Deller, 2002.

The five basic models of the development based on the sustainability are defined by the the International Institute for Sustainable Development (abbreviation – IISD). These models are: (1) models based on economics, (2) models of pressure and response to the pressure, (3) models based on more capital, (4) thematic model “social, economic, environment” and (5) model of well-being of connected man and ecosystem, where the first two models are separate ones and the second are the complete models, since they contain both people and the environment (Hardi & Zdan, 1997). Adamczik (2017) stressed that the economic, environmental and social goals are balanced in the context

of running a business and under the circumstances of sustainable development. Meeting the expectations of the all stakeholders together with the optimal use of the natural resources and respects for environmental protection measures is assumption for efficient production of goods and services. The interests of customers, suppliers, employees, local and other interest groups are met exclusively by the company and in accordance with sustainable development. Ecological integrity, cultural diversity, equality, environmental protection and the satisfaction of basic human needs are supported through sustainable development. Principles and goals of the sustainable development, still exist despite the changes in the idea of sustainable development, awareness is at a high level on this issue. As proof of this, various forms of human creativity adopt the idea of sustainable development (Klarin, 2018). Leadership of the organization, in the long run, cannot be imagined without sustainable development, as a basis for the same leadership (Misztal, 2018).

### **5. Temporarily management – a new model of enterprise development**

Although this term is more recent, there are a number of definitions and different versions. In order to audit some or all areas of business, the management is given to the elected manager for a certain period of time, in order to achieve the set of goals of the company (Dźwigoł, 2021). This definition is confirmed by some of the factors (Ritka, 2011):

- 1) removing barriers as well as market globalization are just some of the results of increasing competitive pressure;
- 2) the widespread use of data from the Internet has enabled consumers to have great influence and importance;
- 3) loss of economic security as a consequence of all possible risks (operational, financial, political and so on), causes increasing uncertainty in the business world;
- 4) in economic processes, the trend for innovation and flexibility has increased;
- 5) the growth of dynamic change, in the business environment.

Special achievements and characteristics should adorn the head of the company who is appointed temporarily to resolve issues and achieve the goals of the company (Vendt, 2011):

- 1) experience that enables already known methods of organization;
- 2) success in the profession;

- 3) reducing the risk of the different types of behavior as a result of a life situation which is stable;
- 4) when the expertise of the existing manager is not sufficient, the tentative manager is required to be prepared for various challenges;
- 5) readiness of the temporary manager for new tasks and goals, which should contribute to more efficient and effective implementation of the same tasks and goals;
- 6) satisfaction in achieving goals and achieving effects is the main driving force for a manager, not the fact that he gains power in that position.

## 6. Conclusion

In all of the above, as a presentation of the views of relevant authors in the field, we conclude that the following microeconomic aspects must be taken into account when setting a new model of market economy. These aspects are as follows: knowledge-based economy, sustainable development, use of temporarily management (hiring managers for special tasks) and many others such as network structures, social participation in management and so on. Creating attitudes and behaviors of employees, modernizing existing business processes, introducing new management methods, anticipating and managing change are just some of the important conditions for achieving company success in challenging business moments (Nogalski & Rutka, 2007). Networking, more efficient management, better quality of products and services, speed, are just some of the factors that are contrary to the linear understanding of business processes. The study conducted by the author Dźwigoł (2021) concluded that the following actions were characterized as crucial for building a modern market model through certain microeconomic aspects: simplification of the organizational framework taking into account the greater diversity of the scope of activities, simplification of management systems and specialization of management processes by creating strategic business units, decentralization of responsibilities for profit making, disjunction of basic and subsidiary activities, visible planning and analysis of operating and economic indicators, strengthening the accountability of some services and functions, emphasis on customers and a new way of relation to the environment, reduction of the activities of administration and maintenance. In the process of development of a modern organization, certain microeconomic factors in the process of its functioning should be taken into account, ie internal and external conditions, predispositions of employees, ie everything that makes entrepreneurial activities.

***Brkić J. Ivana***

Fakultet za ekonomiju i inženjerski menadžment u Novom Sadu, Univerzitet Privredna akademija u Novom Sadu, Srbija

***Tomaš-Simin Mirela***

Poljoprivredni fakultet, Univerzitet u Novom Sadu, Srbija

## **MIKROEKONOMSKI ASPEKTI ODRŽIVOG RAZVOJA – ZNAČAJ ZA TRŽIŠNU EKONOMIJU**

**REZIME:** Predmet rada predstavlja veza između pojedinih mikroekonomskih aspekata od značaja za funkcionisanje modernih organizacija u kontekstu održivog razvoja. Moderna preduzeća se moraju otvoriti za nova rešenja, naučiti sagledavati probleme iz različitih perspektiva, postati fleksibilnija i osetljivija na tržišne signale i biti voljna implementirati promene u procesu upravljanja. To je povezano sa činjenicom da se sada, u situaciji velike neizvesnosti, preduzeća više nego ikad suočavaju sa sve složenijim ciljevima, evolucijom organizacije rada ka njenoj autonomiji i stvaranjem fleksibilnih oblika rada i stavljanjem naglaska na poboljšanje veština zaposlenih kao i novih modela takozvanih karijera bez granica. Istraživanja su pokazala da je prilikom projektovanja savremenog modela tržišne ekonomije u neizvesnim vremenima potrebno uzeti u obzir aspekte kao što su održivi razvoj, izgradnja preduzeća na osnovu znanja i kompetencija, omogućavajući zaposlenima da zajedno stvaraju preduzeća, koristeći privremeno upravljanje i mrežnu saradnju. U procesu razvoja savremene organizacije treba uzeti u obzir određene faktore u procesu njenog funkcionisanja, odnosno unutrašnje i spoljne uslove, predispozicije zaposlenih, odnosno sve ono što čini preduzetničku aktivnost. Cilj rada jeste da se prikažu izabrani mikroekonomski aspekti od značaja za funkcionisanje i poboljšanje rada organizacija u turbulentnim tržišnim okolnostima. Rad je namenjen svima onima koji posluju u savremenom poslovnom ambijentu bez obzira na oblik organizacije i vrstu delatnosti.

***Ključne reči:*** mikroekonomski aspekti, održivi razvoj, preduzeće, tržišna ekonomija.



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