

UNIVERSITY OF LJUBLJANA
SCHOOL OF ECONOMICS AND BUSINESS

MASTER THESIS

**TRANSFORMING THE CORPORATE
GOVERNANCE AT STATE-OWNED
COMPANIES IN NORTH MACEDONIA**

AUTHORSHIP STATEMENT

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LIST OF ABBREVIATIONS

GDP - gross domestic product

OECD – Organization of Economic Cooperation and Development

SOE – State-Owned Enterprise

SSH – The Slovenian Sovereign Holding

INTRODUCTION

The development of the economy requires both good corporate governance and good political governance. Corporate governance plays a central role in increasing the flow and lowering the cost of financial capital (Oman, 2001). The benefits of productivity growth and natural investment resources such as human and material capital can measure how good corporate governance could be. Also, it has the potential role of helping to overcome the obstacles to productivity growth. Development requires institutions that respect the rule of law and corporate and political governance institutions.

The state-owned companies must always be on the people's service and provide good services without damaging the budget and society. In the Macedonian market, not taking care of some state-owned companies has created a situation where they are not producing services at the desirable level. The situation with some state-owned companies is complicated, that is why in-depth research is needed to represent those companies' accurate state of affairs.

Companies in the most critical situation, also called public losers (Telma, 2021), will be targeted to research their actual position and the possibilities for their reorganization to start functioning better and providing better services for society. The targeted companies analyzed in this Master Thesis are Macedonian Postal Office, ELEM Tours, Macedonian Railways, and TEC Negotino.

After privatization and the hope for a faster transition to a developed economy in North Macedonia, many problems arose in the last decade because of a lack of attention to state-owned companies (Šuklev, 1996). That is when many state-owned companies restructured their organizations and started working differently from one another. However, some are still not reorganized or left to work with the same course as a couple of decades ago. The reasons could be influence by shareholders and any stakeholders or people close to Government interested in working with those companies.

Almost all Macedonian Governments were trying to find solutions to manage the state-owned companies efficiently and cost-effectively. Firstly, they tried to keep the companies under Government supervision and implement all the tools for better working. Then there are some research and negotiations about the complete privatization of some companies. Nowadays, the Government is trying to use the know-how from the EU countries and implement it in those companies by doing feasibility studies about complete privatization or merging into state-owned – private companies (Jovanovski, 2020).

The purpose of the master thesis is to create a clear picture of the Macedonian market and the situation within the state-owned companies. Then, through representation of the examples from different countries compare how the state-owned companies are organized in other markets and if any of those concepts could be a situation in the state-owned companies that are not operating at a desirable level in North Macedonia. The benefit from this Master Thesis should have representatives from the Government and the management of the companies, which could create more effective corporate governance for the state-owned companies, whether the companies remain state-owned companies, go private, or reorganize as a public–private partnership.

In the European Union lately, there are efforts to keep state-owned companies under Government supervision without being privatized (Ivaschenko & Koeva, 2008). The problems with corporate governance in the state-owned companies are mentioned in all the countries in the EU, not only in North Macedonia, but that is why the topic should be researched and evaluated regarding how similar companies were reorganized in different markets.

The main point is to focus on the companies working in their area without using their assets to create new business opportunities. There are some examples where the postal office, after being privatized, started working with other services, such as distributing goods while distributing mail. The reasons are creating cost-effective businesses. On the other hand, some Worldwide examples exist where state-owned companies still enter the private sector. For instance, after 500 years of working history and government supervision, the UK government privatized Royal Mail (This is Money, 2015).

Through interviews with managers or directors of targeted state-owned companies, this Master Thesis aims to represent what responsible people mean for the companies and their plans. Furthermore, through questionnaires with the employees of the companies, the Master Thesis aims to represent the satisfaction of the employees working in state-owned companies and their expectations for the future. The results will allow all the thesis readers to understand the targeted state-owned companies' situation. The main goal is to provide a clear picture and potential solutions for companies and to find their potential organizational style to provide better services to the people.

In the theoretical part, I will research corporate governance and its meaning, which is the core of this master's thesis. Firstly, I will research the topic's overall meaning and practical use in real examples of state-owned companies in Europe and North Macedonia. Also, the effects of corporate governance in operating state-owned companies will be presented. Furthermore, the topic will be replicated in the state-owned companies in North Macedonia.

In the empirical part, I will represent the results from the qualitative research collected from interviews with the directors or managers of the targeted state-owned companies and the results from qualitative research from dozens of questionnaires made with the employees in the targeted companies. Results will represent the actual situation, thinking of the people in leading working positions of the organization, and the employees' expectations for the company's future.

1 CORPORATE GOVERNANCE

1.1 Meaning

For good corporate governance, organizations need to have shared responsibility. Governments, companies, and other organizations create corporate governance in their inner circle. Because of the need to develop better corporate governance, the OECD welcomes and encourages all organizations to widespread the Principles for Corporate Governance. The principles were created and endorsed in 1999 by the Ministers of all the members of the OECD council (OECD, 1999).

The principles aim to develop the core elements of good corporate governance. They represent the governmental organization's initiative as a government benchmark for improving their laws and regulations. By creating better conditions for the Government, the private sector can use the principles and develop better corporate governance in their market.

The principles could also be used in state-owned companies and help develop good governance practices. They are intended to be understandable and accessible to the whole community. The corporate governance framework should ensure the timely and accurate operation of all materials regarding the corporation, such as finances, performances, and the company's governance.

The first definition from OECD in 1999 (revised in 2004) describes corporate governance as relationships between a company's management, its board, its shareholders, and other stakeholders that create the structure through which its objectives are set. The determined objectives are used to monitor the performance (OECD, 2004).

The principles set by OECD create a good framework that could be followed to create organizations that function as a whole. Organizations following these principles could create satisfied employees, provide good products or services, and have good legal and financial management, which is very important for normal functioning over a long period.

The OECD guidelines on corporate governance aim to regulate the relationships between a company's management, its owners, and other essential stakeholders (OECD, 1999). Setting goals and measuring performance should be well-organized, as well as the management's motivation and control. The standards do not specify a particular corporate governance model, but they specify some characteristics that every model should include to facilitate global business. The state-owned companies have a problem with an agency compounded by a double agent problem, with relationships between citizens, politics, and public administration, and then between politics, public administration, and company management. In state ownership, decisions can be made in the interest of politicians to be re-elected, leading to decisions that may not be in the company's best interests.

The main goal of corporate governance is economic efficiency (Mason & O'Mahony, 2020). The critical corporate governance problems come from the separation of ownership and control. The stakeholders established by the law (like investors, employees, creditors, and suppliers) and the roles of such stakeholders in corporate governance are recognized based on their wealth-creating capacities.

1.2 Corporate governance influence in State-Owned Companies

State-Owned Enterprises (SOEs) are companies controlled by the state (European Commission, 2016). The ownership and governance vary in different countries and sectors. On one side, the Government could own a minority share, and the company has autonomy in managerial and organizational points. On the other, the companies could be entirely owned by the state and follow only the minister's instructions. The SOEs could be a combination of commercial and non-commercial entities. The economic factors show why the Governments have established and maintained state-owned enterprises, but many socioeconomic, political, and historical issues exist. However, the SOEs have demonstrated the importance of market functioning, public finances, and financial stability in recent history.

SOEs are included in many categories. Some are organized as companies wholly owned by public authorities. In some situations, the financial corporation is included in this category. There are different SOEs in the EU: companies where public authorities have a majority share, companies where public authorities retain a minority share but have special statutory powers, and companies where public authorities have a minority share and no extraordinary control.

There is significant importance to the existence and functioning of SOEs in every developed and emerging market. They are accountable for many assets and employment in developed economies. It also plays a significant role in the network industries. On the

European level, the scope of public ownership is the most extensive in some of the newest Member States. In the last years, many Member States incurred costs related to financial sector stabilization in public and private banks. The government deficit in some countries is also affected by the interventions in national airlines. In some other countries, the debt was regulated by interventions in the national railways (European Commission, 2016).

The government ownership of businesses in developed and developing countries dramatically influences economics. Many theories of ownership have emerged. The authors of some of them mentioned the views of Adam Smith, who is considered the father of economics, and his opinion that government ownership of property is characteristic of underdeveloped countries. Those entities often act irresponsibly with government assets (Smith, 2010).

1.2.1 The importance of the State-Owned Companies

In modern Europe, state-owned companies operate in market and non-market sectors for various reasons, including tradition, policy decisions, and market structure, particularly in natural monopolies where consumer price exploitation can occur in public goods such as drinking water. Another reason is the lack of competition in specific sectors, leading the state to directly intervene in the economy to ensure development in areas, not of interest to investors. These are often non-profit organizations that manage public infrastructure, public transport, electrical grids, etc. The successful ownership of these companies results in positive externalities for the entire economy. According to OECD data, the presence of state-owned companies in various sectors decreased between 1998 and 2013. The most significant role of state ownership is in the energy and railway sectors, with state-owned companies in the EU energy sector accounting for 40% of all revenue in the 2008-2018 period, with some countries reaching almost 100%. In the railway sector, the revenue share of state-owned companies was 88% in the 2008-2012 period (European Commission, 2016).

The heavy industry, banking, and aviation sectors have also traditionally been of interest for state ownership, as states aim to secure a strategic economic position. State-owned companies in these sectors played a crucial role in the development of a country's economy until the mid-70s, but their power declined in the 80s as they often performed poorly in changing conditions and led to rising national debt and privatization in many sectors where there are few arguments for state ownership. This was also a transition period from the dominance of heavy industry, particularly in developed countries, with solid international competition leading to the decline of state-owned companies.

State-owned companies are public companies responsible for creating jobs, generating tax incomes, and producing a wide range of products and services. Their profitable operations create and secure saving for people's retirement in one country. Transparency and accountability in the corporate governance of state-owned companies are essential for earning people's trust in suitable operating and economic stability for better national economic performance. Corporate governance is the internal means by which state-owned companies operate and control their operations. The Government is central in maintaining and organizing the legal, institutional, and regulatory climate. Still, it is also responsible for the normal functioning of state-owned companies by following all the legal and social requirements. Good corporate governance should help state-owned companies to use their capital efficiently. Also, good corporate governance should support a wide range of constituencies and communities in which they operate. This means that the state-owned company works for the benefit of society.

The study of state ownership of companies has both negative and positive views. Some state-owned companies perform better than similar private companies, but it is generally accepted that private companies have better financial results. A study by the World Bank in 2000, which included 52 companies, showed that this general rule held in 32 cases, with private companies performing better. In 5 cases, state-owned companies performed better; in 15 cases, there were no differences between the two types of companies. It is interesting to note that the success rate of state-owned companies is higher in developing countries. However, state-owned companies are less successful in highly competitive markets. A study in Norway showed slightly different results, with no differences in business performance between private and state-owned companies. However, the researchers acknowledge that differences may be noticeable in specific sectors and market structures, but overall, they are not. The study is limited to Norway, a highly developed country with a long history of private and state-owned companies and a specific egalitarian corporate governance mindset. The question remains whether the results can be generalized to other countries (Shirley & Walsh, 2001).

According to Wheelen, Hunger, Hoffman, and Bamford, corporate governance refers to the relationship among the board of directors, top management, and the shareholders in creating the corporation's performance. The board of directors is responsible for approving all the decisions that will affect the long-term performance of the corporation (Wheelen, Hunger, Hoffman & Bamford, 2018).

Management of any organization is essential for creating good corporate governance. Good management could provide good results for the organization and create a good working climate for the company. Top management should be the connection between the employees in the company and the board of directors or shareholders. In state-owned companies, top management also plays a crucial role in the organization. Usually, they

provide the government's goals but need to know what moves suit the company and could affect its functioning.

1.2.2 The implication of Corporate Governance in State-Owned Companies

The trends in Corporate Governance are essential and affect every organization and its structure. A McKinsey survey shows that investors are willing to invest more in organizations with good corporate governance. Good governance leads to better performance; good governance reduces the company's risk of getting into trouble; corporate governance is a major strategic issue (McKinsey & Company, 2000).

The responsibilities of the board of directors vary in every country (Stuart, 2012). An article from Spencer Stuart defines a couple of primary and most important responsibilities: effective board leadership, including the process, makeup, and output of the board; strategy of the organization; risk vs. initiative and the overall risk profile of the organization; succession planning for the board and top management team; sustainability.

The responsibility of directors is how much the managers are adhering to laws and regulations, also how they deal with the issuance of securities, insider trading, and other conflict-of-interest situations. The board must act with due care, directing the corporation's affairs and not managing them. The organization will suffer if the managers fail to work with due respect (Wheelen, Hunger, Hoffman, Bamford, 2018). The responsibility of the top management to meet the corporate objective means getting things done in collaboration with other people from the company. Top management tasks vary from company to company, but most come from the company's missions, objectives, strategies, and critical activities. Top management with a diversity of backgrounds, experiences, and time in the company tend to be related to improvements in corporate success. According to strategic direction, the top management has two primary responsibilities. The first is to provide executive leadership and a vision for the company, and the second is to manage a strategic planning process (Wheelen, Hunger, Hoffman, Bamford, 2018).

Accomplishing the corporate objective is the main priority for executive leadership. Executive leadership is the main course in leading the entire corporation. With executive leadership, the company could build a clear strategic vision and see what the company can become (Wheelen, Hunger, Hoffman & Bamford, 2018). The most successful CEOs have a clear strategic idea. They are dynamic and good leaders and directly affect the company's performance. That means that most of them have characteristics of transformational leaders, which means leaders provide change and movement in an organization by providing a vision for that change. This kind of leader has three key

characteristics: the CEO articulates a strategic vision for the corporation; the CEO presents a role for others to identify with and follow; the CEO communicates high-performance standards and shows confidence in the followers' abilities to meet these standards.

For measuring how good corporate governance evaluates in the companies, the independent service Standard & Poor (S&P) has established criteria for good governance. Their scoring system researches four significant issues: ownership structure and influence; financial stakeholder rights and relations; financial transparency and information disclosure; and board structure and process (S&P, 2019).

It was shown that investors are more interested in investing in companies with better corporate governance, which means that the management of the companies is crucial (Kalotay and Hunya, 2000). The management's responsibilities should be clearly defined and be sure that the following will provide good results for the company. Measuring the companies' success is followed by the criteria that divide companies with good or bad corporate governance. The executive leadership that management should have will help provide all the goals for better results and follow the criteria for better corporate governance.

Differences in corporate governance and factors for its functioning in other markets are mentioned in developed economies like Germany, Japan, and the UK. The differences are measured in ownership and the board structure. In many countries, majority ownership by a single shareholder is widespread (Denis & McConnell, 2020). For instance, in the US and the UK, the ownership is ruled by the diffused equity ownership structure and its professional manager. The legal system is another obstacle that influences corporate governance across other countries. That point affects investors' rights in the companies, which directly affects the structure of the markets in countries, the government structure in the companies, and the effectiveness of those systems.

2 MODELS OF CORPORATE GOVERNANCE

Corporate governance systems vary significantly worldwide due to differences in value and traditions, types of companies, and ownership structure. One of the most established definitions of a company in economics is the neo logical company, based on Anglo-Saxon tradition (Kogut, 2012). This type of company is viewed as an agent of society that takes advantage of team production to reduce transaction costs. The hierarchy is clearly defined, with the principal (owner) hiring an agent (management who hires other employees). The primary goal of the company is to maximize profit and market value. The company size can result in different forms, such as sole proprietorship, partnership,

and corporation. The ownership structure also significantly impacts corporate governance, with smaller companies typically owned by one person and more giant corporations having various ownership structures. The consequences of these differences result in indifferent corporate governance systems. The Anglo-Saxon model, prevalent in the United States, United Kingdom, Canada, and other countries, is characterized by a strict separation of business and state and weak regulation. This model is also characterized by a separation of ownership and control, particularly in large corporations where shares are traded on the stock market. Organizational agency theory is prominent in this model, but it is important to note that no single Anglo-Saxon model exists, even among the three countries mentioned. There are two other slightly alternative forms of companies, the J-Company, and Keiretsu, which are typical of Japan (Monks & Minow, 2001). This type of company differs from the Anglo-Saxon model in that its power is based on organizational structure, not on the allocational efficiency of the market. This type of company is a network of capital and financial companies that own each other.

The alternative form of a company is a participatory company where employees have more decision-making power, unlike the neoclassical model. The participatory model is primarily found in Western European countries where employees have representatives on the board of directors (Domadenik, Koman & Prašnikar, 2015a). In Germany, it is known as the two-tier management system where employees, owners, and creditors have representation on the board. The development of the system dates to the 19th century in Germany and is a result of the government of Otto von Bismarck. The continental European system has changed due to the EU and globalization, moving towards the Anglo-Saxon model. The continental European system can also be divided into three sub-systems: German-continental, Latin, and Nordic, with varying levels of employee participation and family ownership (Kogut, 2012).

The European Commission Action Plan on improving corporate governance aims to reform European company law. Two corporate control and governance models come from the plan: the block holder model (B) and the widely held corporation model (W) (European Commission, 2016). The block holder model is specific for the individuals, the groups of individuals, or an organization command with many or most votes. The model can appoint and remove the board of directors, and block holder – appointed block appoints or removes the CEO. On the other hand, the widely held corporation has a broad equity base with many small shareholders. The board chooses the new board, with the confirmation from the passive mass of small shareholders in a vote. The board appoints the CEO.

Both models have different forms. There are two typical forms for the block holder model: one share-one-vote – Model B1, which blocks the votes by acquiring a proportional amount of capital or with a less than-proportional amount. Furthermore, the second form:

one share more votes – Model B2, which gives the block holders with legal devices more than one vote for every investment.

There are two forms for widely held companies: Model W1 and Model W2. An outsider can purchase shares from companies open to hostile bids to form a controlling block, moving the company from a widely held to a block holder model. There are examples where the share blocks cannot assemble without a board or company CEO's approval in a well-defended company.

The theory so far does not suggest some of the models as superior. Each model has its opportunities, spreading the corporate risk over a large investor base from its usage. There are downsides and benefits with using both models. However, the cost of the widely held model is more considerable. The boards are unaccountable or captured by a CEO who pursues innovative projects. Also, there is a lack of monitoring of the shareholders regarding the work of the board. The most logical way of solving the problems of the widely held model is to move to the block holder model. In theory, large shareholders have the power to monitor the management. However, there is a potential cost of using a different model. In newly emerging technologies, the ability to innovate and restructure is essential. The widely held model could offer more advantages, while the block holder model could be better for more traditional industries.

Developing and transitioning economies in the early stages of their development may benefit from the long-term commitments of the block holder model before moving to the widely held form.

Even though there are different models and systems for organizing corporate governance in companies, in every country, the companies have different characteristics in organizing corporate governance. This mostly depends on the legal regulations about the participation of different sides on the board of every company. Those differences can influence the level of corporate governance in every company and every country.

The European Commission put additional effort into implementing the European Takeover Directive. The format led to the reconstruction of corporate Europe and the replacement of poor management, breaking traditional ties dominated by the private interest of families and large corporate groups and integrating European financial markets (European Commission, 2016).

The Takeover Directive's role model was taken by the regulatory system in the UK. There is an active market in takeovers with few impediments to acquisitions. The regulatory

system, known as the Takeover Code, lays down the seizure rules. The authorities have successfully created a well-organized market, which was necessary for the European Commission to execute takeovers throughout Europe.

2.1 Improvement of corporate governance in the EU

The EU conducted research and pointed out the most important things regarding the union's state-owned companies. The study called "State-Owned Enterprise in the EU" researched the lessons learned and the potential steps for improvement. (European Commission, 2016). It starts with the situation in member countries and the history of state-owned companies working or being privatized. Also, the study represents how important state-owned companies are to the economy and society. The importance of the fiscal implications is another watchpoint of the research. Explain the focus on some countries and their examples, how they deal with some situations, and the later repercussions. Considerable importance is put on the process and the need to reform the state-owned companies. Asking the question: Is privatization the only process for improving state-owned companies? Furthermore, the research produced information about the performance of the state-owned companies working in the energy or railway sector, which is a very related topic in North Macedonia and its state-owned companies.

The process of reformation of state-owned enterprises is different in many countries. The EU explained many examples of how the process should be done and that privatization is not the only process for good reforms and better corporate governance.

It has taken significant reforms in the EU in recent years. They aim to improve efficiency and effectiveness in achieving their objectives. The efficiency measures the changes in the legal framework and the effect on the corporate governance in SOEs selling assets to private parties or ultimately privatization. Other reforms could be noticed in improving the transparency and accountability of SOEs, not only for efficiency goals but also for ethical and deontological purposes.

The reforms are separated into different modalities. SOE reforms could be implemented through a change in the companies' legal framework and corporate governance, with complete privatization, by the market rules in which the company operates. It requires different combinations of measures, but the whole package depends on the country and the company's specifics.

From a state-owned enterprise perspective in the EU, privatization is entirely neutral about whether the company is privatized or creates new SOEs. As the privatization

process in the Member States has begun, the excellent and bad sights of the process need to be analyzed.

In the UK big wave of privatization has begun in the 80s and 90s. The cut in the scope of the state's ownership in the economy increased its regulatory functions. The network industries were first in the wave of privatization, accompanied by sector reforms and improvement strengthening of the sectoral regulatory framework.

From a practical point of view, the privatization process is changing the public to private ownership for part or the whole SOE. Market reforms and reforms in the regulatory framework are a must in the privatization process to monitor the private operator in the context of a lack of good work. In some countries, privatization is an excellent tool for cutting public debt.

In many EU and other countries, energy, and railway sectors are regulated and controlled by national supervision (European Commission, 2016). Monopolistic and vertically integrated utilities organized the companies in those sectors throughout history. After the 1990s and the reforms, those companies opened the sectors to cross-border provision, competition, and market dynamics. In the energy sector there been created comprehensive legislative packages, which main elements are strengthening national regulators and the requirement for effective separation of the transmission networks' operation.

In Slovenia, the Government has established a state-owned company responsible for leading and supervising the work of all the state-owned companies. The company is called Slovenian Sovereign Holding (SSH) and is a state-owned company in Slovenia with a portfolio of over 50 companies in various industries, including energy, finance, transport, tourism, etc. (SSH, 2023). SSH is responsible for actively managing the state's ownership interest in these companies, overseeing the privatization and denationalization processes, settling state liabilities, and managing claims and assets. The acquisition of the BAMC has added the management of immovable and movable assets to SSH's responsibilities.

The Slovenian Sovereign Holding (SSH) has four core business areas:

1. Managing the state's capital assets involves disposing of and acquiring capital investments and exercising shareholder of member rights.
2. Receivable management and corporate restructuring include the acquisition, disposal, and management of SSH's receivables and participation in corporate restructuring.
3. Denationalization and settlement of liabilities include participation in proceedings for compensation for confiscated assets and settlement of liabilities on behalf of the state.

4. Property management involves SSH's disposal and management of immovable and movable property owners.

Slovenian Sovereign Holding (SSH) follows the laws and best practices of corporate governance in Slovenia. It operates with a two-tier corporate governance system, consisting of the General Meeting of the Company, Supervisory Board, and Management Board. The General Meeting of the Company represents the Republic of Slovenia and is supervised by the Supervisory Board, while the Management Board is responsible for running the company.

The purpose of Slovenian Sovereign Holding (SSH) is to manage the State's capital assets in a professional, transparent, and independent way and also to settle liabilities and manage assets previously held by Slovenska Odšjdninska Družba (SOD) and the Bad Asset Management Company (BAMC). SSH has three strategic directions: transformation, focus, and creating value. The transformation directions focus on restructuring the portfolio of assets and improving the SSH operating model. Then focus direction is on stabilizing the capital assets portfolio and increasing synergies. Furthermore, creating value direction aims to increase capital efficiency and profitability and pursue sustainable social, economic, and environmental operations.

The EU has made regulated activities in infrastructure. The physical infrastructure constitutes a natural monopoly; therefore, competition in the market cannot develop. The regulated tariffs issue is relevant for a proper assessment of the financial performances of activities of the state-owned companies in the subsectors.

There are also non-regulated activities in the production and services industries. Those are, in principle – multiple operations may compete to provide the services. It could have a significant influence on companies' financial performances.

2.2 Applicative method for state-owned companies

2.2.1 Examples from international companies

Corporate governance of state-owned companies in Slovenia is essential to the country's economy. According to the European Commission, Slovenia is first in the value of state-owned companies and third in the percentage of employees in state-owned companies compared to all employees in the country. The high percentage of state-owned companies is mainly due to infrastructure companies, but Slovenia is also characterized by a

relatively high percentage of state ownership in other sectors such as the chemical industry, tourism, banking, etc. (European Commission, 2016).

As reported by the European Commission, Austria belongs to the countries with a lower to average proportion of state ownership of companies. The share of the market value of state-owned companies in 2016 was around 10% of the GDP. However, Austria has been historically known as a country with a relatively high proportion of state-owned companies, most of which have been privatized today (European Commission, 2016).

The legal framework for corporate governance in Austria requires joint-stock companies to have a two-tier governance system that includes a board of directors, management, and shareholders' meetings. Smaller companies are allowed to have a single-tier governance system in most cases. In public joint-stock companies, workers' councils can elect one representative for every two members of the board of directors. In companies with over 1000 employees, at least 30% of board members must be women (Abram & Schindler, 2020).

Slovenian and Austrian markets, as the smallest markets for their territory and population in Europe, have some similarities with the Macedonian market. North Macedonia has 1.836 million people on last national census in 2021 (Statistical Office, 2021), close to the Slovenian population of 2.110 million (Statistical Office Republic of Slovenia, 2023). Comparing the Macedonian market with more developed countries with similarities could replicate the potential for further development of corporate governance within the state-owned companies in North Macedonia.

Example of state-owned companies being fully privatized abroad from the EU, is the Royal Mail from the UK. The Royal Mail was fully privatized after 500 years of history and existence. The UK Government has the last 14% of the stakes after a gradual and extended period of selling the company's stake. 13% of the stake in value means 591.1 million pounds. The rest of the 1% was given to the Royal Mail staff for their loyalty and long-term employment in the state-owned company (Denton, 2015). With the move, the UK government has stopped being involved in the taxpaying from the postal firm. The fully privatized postal office is expected to positively affect all sides, customers, the workforce, and the taxpayer. The Government could use the money to cut the national debt with privatization. The long-term employees in the Royal Mail have a reaction of disgrace about the Government's latest move and distribution of the shares with them. The value of the shares drops very fast after its announcement of selling the Postal Office. The next day, the employers have only 315 pounds in value from their claim.

On the other hand, the Government earned 3.3 billion pounds from the sales of the stakes in Royal Mail. They say that the national debt was covered with the money. This means full privatization is good for the Government but not best for the employees.

Many experts from the business reacted great after the sales of the Royal Mail. Their most essential things from the sales are cutting the national debt and paying the taxes compared with the previous privatization of the Royal Mail when other percentages of the stocks were sold back in 2013. Then the experts criticize the Government, saying that the state-owned company is being sold cheaply. Also, there was criticism that the rich were getting richer with privatization and the poor, poorer (Economist, 2013).

In 2010, Slovenian Railways had a net loss of around 30 million euros, like the previous year's result (Dimitrievska, 2010). The company focused its cost-saving measure on improving operations, staff recruiting, and financial rehabilitation. The business income was around 346 million euros, with an EBIT of 28 million euros. The management planned to reduce the negative operating profit compared to 2009 and to become a market-oriented, cost-effective logistics company and rail carrier.

Four years later, in 2014, Slovenian Railways had a 23% decline in net profit, from 18.7 million euros in 2013 to 14.4 million euros in 2014. However, this was still an improvement from the losses in 2010 and 2011 (Barrow, 2015). Slovenian Railways saw a 10% increase in operating income and a 3% increase in EBITDA, boosted by a 6% increase in freight volumes. The company expected to see further growth in revenues and business volume in the coming years.

Slovenian Railways generated a revenue of 601 million euros in 2019, with an EBITDA of 87 million euros, EBIT of 42 million euros, and net profit of 35 million euros, according to an updated report (STA, 2020). The company has adjusted its business plan for 2020 in response to the corona crisis and expects an operating profit of 5.5. million euros. The chairman of a state-owned power utility Eles Mervar has been appointed as the chief supervisory by the nine-member board. The company will incur 30 million euros in severance costs due to a planned workforce reduction from 7200 to 6200 by the end of 2020.

Slovenian Railways company recorded an all-time high operating profit of over 40 million euros for 2022 with 620 million euros in revenue, according to preliminary estimates presented by CEO Dušan Mes. For the first time, the company's EBITDA reached 100 million euros (Slovenia Times, 2023). The company's net operating profit was estimated at 41-42 million euros, significantly higher than planned. The company aims to improve passenger satisfaction in the coming years by renovating its vehicle fleet

and improving travel times, which depend on infrastructure improvements. Slovenian Railway company plans to expand its cargo segment outside Slovenia by taking over regional companies and establishing subsidiaries. The CEO said that the company's plans are ambitious and intend to become the sole owner of Nomago, a travel and inter-city bus company, by the end of 2024.

The case of the Slovenian Railways company shows that excellent results could be achieved with good reorganization within the company under state supervision. The Slovenian Railways noticed profits and improvement in the last ten years, resulting from the national strategy and care for the state-owned company. Also, the example shows that the Government could be a good owner and develop new possibilities for business and improvement.

2.2.2 Examples from domestic experience

The people of North Macedonia are looking forward to the membership in the European Union, and the latest governments are looking forward to equalizing their business with the standards of the EU. The Government's primary goal is to transform the state-owned companies into profitable companies which will be helpful to the citizens.

The ex-prime minister Zoran Zaev focused on privatizing some of the biggest state-owned companies, working with many losses. As he refers to the fight for open markets:

“Many institutions by themselves are for public-private partnership because they cannot fight on the open markets. There are examples in Slovenia, Austria, Poland, and Germany, etc., that is required to have quality postal traffic. The same could happen to TEC Negotino, Macedonian Railways, Eurokompozit, and Kolska Veles. That will be the main occupation of the Government in the next period” (Deutsche Welle, 2020).

While the transition period in North Macedonia is still lasting, many countries in Europe and around the World that have state-owned companies have already transformed their businesses. They transformed into private enterprises or reorganized the companies, which will start functioning more efficiently and creating profits and employment.

There were some efforts to create some movement regarding the functioning of the state-owned companies. The latest is an example of the liberalization of the postal business market. This means that all the private and state-owned businesses will be competitive to fight on the market. The new law came into force on January 1, 2021 (Pari, 2020).

Before the last changes to the postal business, there were efforts to completely privatize the postal office and sell to the Canadian Postal. The negotiations lasted for two years but, in the end, failed. The Canadian Posts offered 40 million euros in investment in the next 20 years to work with the Macedonian Postal Office. After the rejection of the offer by the Macedonian Government, they paid penalties in the amount of 200 thousand Canadian dollars (Geogrievska, 2009).

After the efforts of new potential investors from Postal Offices in Slovenia and Croatia were interested in buying the Macedonian Postal Office, all of that was a failure. The market liberalization asked for the state-owned company in the postal business and all the sides and private operators into the trade—the waiting list for the last ten years. The EU and all the union members recommended postal market liberalization. In 2019 it was concluded that it is a must to operate an exclusive server for delivering some of the postal services on the market by the Macedonian Postal Office because the market was not ready for changes. Finally, all of that was changed in 2021.

The postal market liberalization could be noticed in some of the countries in the region. Croatia is one of them, and it liberalized the postal market after entering the European Union. Serbia also has a liberalized market.

Built and developed by many generations, the Macedonian company Alkaloid is a rare, wildly successful company that passed the transition period and had a smooth privatization process (Deutsche Welle, 2011). The company is doing business by producing drugs for pharmaceutical sales and products for daily care and retail consumption. The company is the sixth largest company in southeast Europe in its sector. The brands Becutan, BlackUp, Satva, and Cafetin are very recognizable in the region of ex-Yugoslavia, and, right now, are the key pillars for winning new markets globally.

Winning new markets is one of the critical strategies for raising and building the company's business. With more than 14 representative offices, the products from Alkaloid are being distributed to more than 30 markets globally. One of those markets is Germany, which notes profits from 2,5 to 3 million euros from selling silver salts. Also, the US market is increasing business, especially from placing the tea brand Good Nature on Amazon.com.

From nowadays perspective, the CEO of Alkaloid, Mr. Mukaetov, thinks that he will not do anything different for privatization. He believes that the privatization model is not that much important. More important are the people who are working in it. He is separating the companies into organized and managed with care and companies not handled with care. The first ones are still on the market and continuously developed and invested. From

the beginning until now, their employees have become part of the shareholders because they know the company's value. Those companies are considered the winners of the privatization process in North Macedonia.

Responsible people in Government who learn from international, regional, and local experiences should take away all the key learning from the privatization and the transition period. Creating a model that will cut the national debt and all the unnecessary costs that the state-owned companies are producing while creating a suitable environment for the current employees is the most complex and complicated process. However, a great business example could be created by a small and still underdeveloped market with good analytical research and maybe hiring experts for the field from abroad.

3 MACEDONIAN ECONOMY

The fourth quarter of 2021 saw positive economic growth in North Macedonia, driven by the post-pandemic recovery in the service sector and a rebound in gross investments. Despite a slight decrease in unemployment, employment also declined, possibly due to a reduction in the active labor force. However, the economy faced increased uncertainty in early 2022 due to rising food and energy prices, further intensified by the Russian-Ukrainian conflict (Finance Think, 2022).

The State Statistic Office estimates that the gross domestic product (GDP) growth rate for the third quarter of 2022 is 2.0%. The sectors with the most significant increase were art, entertainment and recreation, other service activities, and household activities. Followed by wholesale and retail trade, transport and storage, and financial and insurance activities. The final consumption of households grew by 18.2% and made up 71.2% of the GDP. Export of goods and services increased by 27.2% and import by 31.1%. Gross investment in the third quarter of 2022 showed the most significant increase in changes in inventories (Statistical Office Republic of North Macedonia, 2022).

The national budget voted in the Assembly for 2023 aims to address the consequences of the energy crisis and promote economic recovery and growth. The budget for 2023 is 324.8 billion denars, with revenues at 282.1 billion denars, 14.8% higher than in 2022, and a deficit of 4.6% of GDP or 42.7 billion denars (Ministry of Finance Republic of North Macedonia, 2022). The estimated economic growth for 2023 is 2.9%, and inflation is 7.1%. Capital investments or 48.8 billion denars are planned for 2023, 51.8% more than in 2022, for infrastructure, health, education, and social projects.

The World Bank forecasts modest economic growth of 2.1% for North Macedonia in 2023 and predicts inflation to remain high. The possibility of a short-term recession is not excluded, and the external debt is expected to increase. The World Bank recommends that the government implement serious policies to improve the economy, including regulatory reforms to strengthen competition and subsidies to reduce input prices. The World Bank also highlights the need for tax reforms and improvement in the Assembly to pass laws and reforms that are significant for the country (Voice of America, 2022).

The government of North Macedonia is the founder of 14 public enterprises and the sole shareholder/partner in 15 companies, with 13 being state-owned joint-stock companies and 2 being state-owned limited liability companies. The government aims for transparency in the operation of those public enterprises and companies and requires them to provide quarterly financial reports and publish them on their websites (Ministry of Finance, Republic of North Macedonia, 2022).

3.1 Effect of privatization

Privatization is selling state-owned assets to private entities, while nationalization is the reverse process of selling private assets to the state. Nationalization is often motivated by politics rather than economics, and historical examples exist of nationalization as a means of saving a struggling company. The trend of nationalizing companies began in the 1930s during the Great Depression in the United States and Europe after World War II. Europe also experienced a wave of privatization in the 1980s due to the poor performance of state-owned companies (Pint, 1990). In Eastern Europe, there was a complete forced nationalization after World War II, followed by a strong wave of privatization in the 1990s. Research shows positive effects of privatization in Eastern Europe, although this was dependent on the form of privatization and the new owners of the companies. The privatization process also affected the corporate governance system in the country, as different structures and interest groups developed due to the differences in the privatization process.

As a part of Yugoslavia, the people from Macedonia, during the period 1950-89, had lived in a system called social ownership, also known as workers' self-management. History has shown that the workers' self-management did not cure the significant inefficiencies of the social-type economic system (Slavevski, 1997). Also, the method in some areas showed some results that were even worse than in centrally planned economics. The system has an institutional mechanism that pushes the inflation and unemployment rates up. The firms with worker management faced illogical voting from the workers about increasing wages.

On the other hand, the enterprises have maximized the income per worker, not profit which leads to a negative bias toward new hiring. The system shows as undefined. With the social ownership system, ownership is on nobody's side. The right belongs to society. Neither the employees nor enterprises owned the firms' assets (Slavevski, 1997).

Privatization in North Macedonia began in 1989 and had attracted enormous attention. With privatization, considerable progress was achieved in North Macedonia. That period began economic and political reform in the country (Šuklev, 1996). In this process, interest is shown by different parties, such as managers, employees, unions, the Government, and international institutions. Reforms in the monetary, financial, banking, foreign trade, and other systems parallelly have begun with privatization. Those reforms completely changed the critical segments of the economic parts.

The privatization process is somehow still going on in North Macedonia. There are still state-owned companies for which the privatization plan was started a while ago, but there are still no results. In my opinion, privatization could be one of the potential solutions for reorganizing the targeted state-owned companies, which are under research in this Master's Thesis.

There could be some benefits for increasing efficiency in developing markets' public and private sectors if they start privatizing publicly owned companies. A policy environment is the first condition in privatization that encourages efficiency in the private sector. The privileges that buyers could have when buying state enterprises need to resist. That means protecting the company from liquidation or subsidies if the buyer has unique access to the capital market, which could reduce or reverse the net capital of selling the enterprise. (Shirley, 1988). Creating or strengthening the capital market is crucial in selling public enterprises. A country without a capital market should sell the enterprises through private placements, making it harder to find buyers with sufficient capital. Preparation for the negative consequences is also essential. Social costs such as potential unemployment, closure of plants, and cutback in services can be affected in the short run. The preparation in the selling process is essential in the government strategy. That could help in realizing the objectives and priorities of the Government and keeping the enterprise's price on the needed level. For the preparation process to run smoothly, it is necessary to have the administrative capacity in the Government. If the administration is not well prepared, it could undervalue the assets and make a very poor bargain. In the selling process, transparency is also essential thing. The enterprises are publicly owned companies, and there should be an open public debate about the sales of the assets, and the discussion should be informed.

Following the privatization process results, it can analyze that the privatization process's slowness is the main reason for the failure of some of the state-owned or socially owned companies in North Macedonia. The length of the process has also seemed like an additional reason for failure. It took seven years for the whole process, starting from preparation for transformation, sales, and repayment installments.

The privatization process in North Macedonia was realized without a voucher model, as was an example in some other countries (Šuklev, 1996). It rejected that kind of process because the creators of the privatization thought that the voucher method would take a step back in the process. The company first nationalizes and transforms into state ownership, then prints vouchers and delivers them to the population. However, private property can be established and developed in phases, not with an attack on social capital. The paid privatization shows a perfect fit for the exchange of the voucher model. The only difference is that the state is self-maintaining with paid privatization, and the strategy is a total disaster for privatization.

Germany, the most developed market in the EU, has examples of privatization such as Deutsche Lufthansa, Deutsche Telekom, Deutsche Post, Bundesdruckerei, Deutsche Postbank, and Deutsche Bahn. In Germany, the legal basis for decisions regarding privatization and public participation is the law on the budgetary procedure and the federal budget code. The thrift and economic efficiency principles dictate that outsourcing or privatization should fulfill public tasks and activities. The federal government should only hold participation if there is a significant federal interest and regularly reviews its holding to ensure compliance with these principles. The federal government holds 107 direct participations and has defined prerequisites for engagement in corporations organized under private law, including federal interest, limited payment commitments and funds, and an appropriate influence (Schaefer & Warm, 2015).

Some of the results from the failure of the privatization process show that 20 000 workers from large enterprises lost their jobs. Only 5600 succeeded in returning to their jobs after the companies' restriction. The management structures remain unchanged during the whole process of privatization. Senior managers remain to rule the companies even after the foreign capital enters and gains management rights. The management buyout model has become very popular. The management functions were not separated and had no differentiation in the privatization process. As a result, managers become owners of the companies through formal agreements or actual appropriation of the shares (Šuklev, 1996).

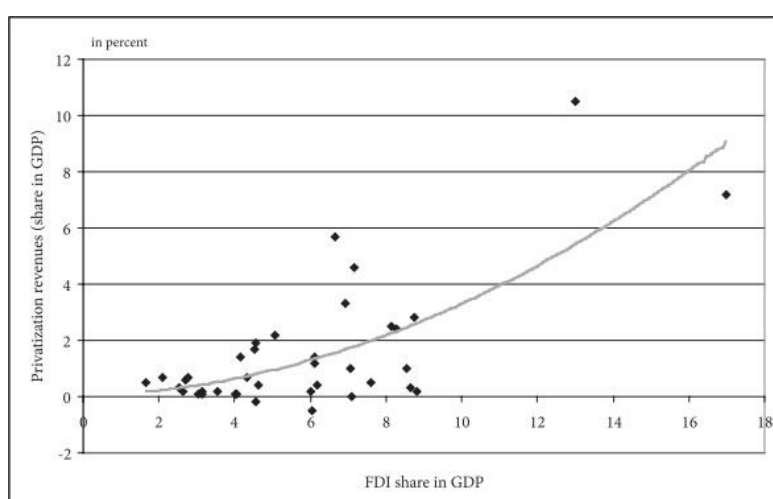
3.1.1 FDI in the privatization

Privatization, especially in North Macedonia, creates interest for domestic and foreign buyers and investors for the companies that were being privatized in that period. A couple of companies created good examples after getting privatized in that period, some of them not, and the rest are still under national supervision or ruled by the Government. Like North Macedonia, the transition economy is addicted to foreign investors in different areas. The state-owned companies that are not operating well and are still waiting to be reorganized are also attractive to foreign investors.

Small economies without sources of domestic savings are required to attract foreign direct investments (FDI) to continue future economic growth. This case is significant in the transition economies in Southeast Europe (SEE), which are heading towards becoming EU members (Botric, 2010). The countries from SEE had similar transition economies. They relied on FDI because that helps them bring new capital to grow the economy, improve business procedures, update the technology, open new markets for placement, increase the potential for trade, and bring experiences from more developed countries.

The success of countries in Western Balkan attracting FDI during the 2000s was related to the period's extensive privatization process. In comparison with the EU states, that process was completed. Using the positive experience, the foreign investors mainly came from the EU, focusing on the privatized markets. Figure 1 shows the share of FDI in GDP vs. the privatization share in GDP in Southeast Europe.

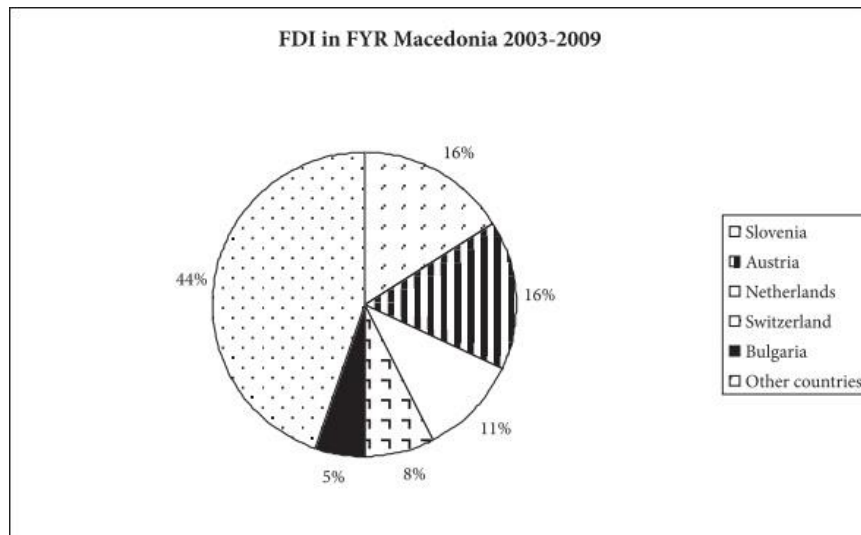
Figure 1: Foreign direct investment and privatization in Southeast Europe



Source: Botric (2010).

The European Commission has stated that FDI in Western Balkan countries was related to privatization, especially service sector privatization. The future of FDI could not be related to privatization because limited enterprises be privatized. North Macedonia began with the privatization process in the early to mid-1990s, while the other Western Balkan countries participated later in the 2000s. To benefit from foreign investment, they should be towards export-promoting and technology-improving activities. Figure 2 shows the FDI structure in North Macedonia by country of origin.

Figure 2: Structure of FDI in North Macedonia by country of origin



Source: Botric (2010).

The development of Eastern European countries still mainly depends on investment from the EU countries. The EU is the most important trading partner and investor in the region. EU countries face the challenges of available funds for investing in their own countries, leaving them with short-term prospects for FDI in Southeast Europe (Botric, 2010).

The movement of the privatization process can influence the dynamics of FDI in different countries. Privatization is a fundamental pillar of transformation into a market economy (World Bank, 1996). Many studies on privatization found that FDI is the best performing in the privatization process for creating better efficiency and better corporate governance. (Kalotay & Hunya, 2000).

The need for good corporate governance in Macedonian companies has been obvious in recent years. The biggest issue is the privatization process, transforming the companies from socially owned and partly state-owned to private companies, and the relationship between the companies and society. Corporate governance has become a great need for the Macedonian economy, and it has taken the most significant consideration by the companies, regulators, and the Government. Privatization creates an alternative business

environment and new legal frameworks. So, corporate governance in that situation helps develop the economy by enhancing the performance of companies and helping them find alternative sources of capital.

3.2 Corporate governance in the state-owned in North Macedonia

According to the Republic of North Macedonia law, public enterprises can be established by the government, municipalities, and the city of Skopje to perform public interest activities. These activities are defined as activities or things that serve the public interest and can be performed by public enterprises or companies delegated to do so. The conditions and methods of performing these activities and realizing the public interest are regulated by law (Služben Vesnik, 2023).

Public enterprises are subject to competition rules, except in cases where these rules would prevent the performance or services of public interest. The public enterprise's founder may transform it into a limited liability or joint stock company and may set aside a subsidiary or part of the enterprise as a separate entity.

The public enterprise is financially supported by its revenues, credit funds, funds from the Republic of North Macedonia, and municipality budgets. It has the capacity of a legal entity, can acquire property rights, and is responsible for its obligations with all its property. The law requires financial transparency in the relationships between the state, municipal, or city authorities, public enterprises, and companies that perform public interest activities.

The management board of a public enterprise in the Republic of North Macedonia comprises from 5 to 15 members appointed by the founder and experts in the enterprise's operation field. The members' mandate cannot be longer than four years, and they cannot have any personal interest that may influence their decision-making. Management board members cannot hold positions in the government or the city of Skopje. The management board has powers to adopt the statute, business policy, and annual account, make investment decisions, determine prices, and select and dismiss the director of the enterprises. The management board can make decisions if more than half of the members are present, and the decision is made if more than half of the members vote for it (Law on Public Enterprises Služben Vesnik 2023).

The Law governs the public company in the Republic of North Macedonia Public Enterprises. The government, municipality, or city of Skopje may provide general directions to the management board of the public enterprise but cannot interfere with day-

to-day management. The public enterprise's work is managed by the director, who is chosen or dismissed by the management board and is responsible to the management board. The director of the public enterprise, the member of the management board, and the supervisory board members are liable for any decision that causes harm to the interest of the public enterprise.

A supervisory board with five members is established to exercise material and financial control over the operations of a public enterprise. The board members must have higher education and knowledge of financial and accounting operations. The supervisory board has the authority to perform on-site inspections of all documents and records and can call experts to help in their examinations. The board must review the annual accounts and report of the public enterprise and submit a report with their opinions to the minister of finance.

Corporate governance in North Macedonia has been developing in more stages from the country's independence until now (Apostolov, 2011). Privatization transforms state-owned companies into private companies and changes their corporate governance. Some state-owned companies that were very successful before privatization went bankrupt a couple of years after the privatization, and other companies that were not that successful increased their shares and profits after the change of ownership. Still, some state-owned companies are working with losses on the Macedonian market. Nevertheless, they need to operate on the market because the Government does not have other substitutes for those branches of the economy. Those companies are creating losses which are public debts.

There is a lot to be done to bring the Macedonian economy closer to the standards of a developed economy. Improvement of corporate governance and institution improvement in the companies is needed to organize and control all the regulations within the already restructured policies in the transition economy. (Apostolov, 2011).

Governance and enterprise restructuring positively influenced gross domestic product and foreign investments. Foreign investments and foreign ownership holding entirely impacted the business environment and influenced learning and building capabilities. Transition economies are facing problems of governance in the restricting of the enterprises. In the restricting process, a hybrid organization called recombinant properties gets involved.

Recombinant properties are called hybrid organizations, a combination of properties owned by the public and private sectors. This kind of restructuring happens in transition economies because of development involvement in market institutions, Government, ownership patterns, business laws, and industry structures (Peng & Heath, 1996).

The most critical problems that transition economies face are lack of capital and how to acquire finances. The reason is that the capital markets are underdeveloped and lack protection from foreign and minority investors. The effect on the macro-level in transition economy from the governance and the enterprise restricting influence by gross domestic product and foreign direct investments. The positive impact of foreign investments is significant for developing a business environment. The foreign investment's dominance in ownership shareholding could impact learning and building capability.

It notices different transformation methods by restricting the state-owned companies in the transition economies. Transition in economies from Southeast Europe aimed to increase enterprise efficiency and make their products internationally competitive. On the path of transforming the company and the economy, the economies of Southeast Europe were facing the challenge of import protection and export promotion through monopolistic competition. The state-owned companies with foreign trade orientation from these countries had complex challenges in internationalizing their work. Liberalization of the market forces and privatization process the companies meant to eliminate the restrictions on the manager by the state ownership and command economy system. In Southeast Europe, companies are privatized using different methods. The privatization process resulted in various ranges of ownership and governance mechanisms.

In the case of North Macedonia, the governance model is constantly building from the beginning of the transition to a modern market economy. It varies in different countries, but each country defines its governance due to its history, culture, and legal and regulatory framework (Apostolov, 2011). Some essential characteristics of Macedonian corporate governance are, firstly, the gradual concentration of ownership reflected through policies leading to dispersed ownership structure of the companies. Secondly, the dual role that has the company shareholders as company employees and vice versa describes the dual role and the interaction between these two categories, as most of the employees simultaneously are shareholders. The third characteristic of the Macedonian economy is the light restriction and governance of the enterprise and the lack of separation of the company's ownership from the company's control. The last fourth characteristic is inadequate oversight of management's work.

According to a research paper by Apostolov, two essential things are crucial for governance and enterprise restriction in the case of North Macedonia. Firstly, the process depends on a set of policies: large-scale privatization, small-scale privatization, price liberalization, competition policy, trade and foreign exchange system, banking reform, interest rate liberalization, securities markets, non-bank financial institutions, and overall infrastructure reform. The effects of privatization, restriction, competition, budget constraints, policies of governance, and management are explained through the transition

theory. In the paper, the results from the research show promising results on the correlation and dependence of governance and enterprise restricting to large-scale privatization. Country-specific dispersed ownership and agency conflicts lead to negative coefficients pointing towards possible governance lag. The research could analyze the excellent relationship between trade and foreign exchange systems with the Government's behavior and mixed outcome. The price liberalization shows promising results, and there is evidence and correlation between the country's governance and a positive impact on Government.

Secondly, the variable governance and enterprise restriction are significant and improve over time due to imposed policies. The close relations with the numbers of these policies show their impact of them on the way governance and enterprise restructuring are imposed, either positively or negatively. Over time most of the variables improved, and there is a relationship between them moving forward (Apostolov, 2011).

There are positive and negative influences from governance and enterprise restriction. That governance and enterprise limiting the lay onset of policies showed mixed outcomes. On the other hand, as the transition process progressed along with the imposed reforms, there was a positive inclination toward governance and enterprise restriction.

Corporate governance practices in North Macedonia are separated into different categories. The high-priority class contains procedures focusing on revising the securities law, overhauling the disclosure framework, and harmonizing the company law and listing rules. Companies must report compliance with the corporate governance code, fully implementing the EU direct and indirect ownership rules. The restrictions on the transferability of shares should be made null and void. Also, there is a need to enact an audit law. The high-priority area was to draft a corporate governance code of best practices. The medium priority category recommended revising the company law to facilitate the adoption of best practices. It dramatically increases the staff and resources available to the securities commission, develops a corporate governance tier on the stock exchange, and increases directors' training capabilities (McGee, 2008).

3.2.1 State-owned companies in North Macedonia

In the Macedonian economy, operating state-owned companies hold the top positions of the companies with the most employees in the economy. The political parties use those companies in every next election as a tool for creating new slots for employment for people that they can count on their vote. On the other hand, those companies are generating millions of losses. However, after many hopes, those companies failed to reorganize on the central and local levels and get the better course working.

Research shows that even 62% of state-owned companies work with minus profits (Dodevska, 2020). On the main level, the Government owns 14 state-owned companies and 15 trading companies, 18 of which, or 62%, are showing losses in their work. The state-owned company “Macedonian Railways” is at the top of the list, which shows losses of two million euros in the first half of the year. Also, on the same list, good ranging is getting the state-owned company “Macedonian Postal Office,” which reported a loss of one million euros in 2018.

Many state-owned companies are even on the list of debtors from the Public Revenue Office and the Ministry of Finance. On those lists, there is information about not paying wages, taxes, and other debts by the state-owned companies, not only on the main level but also on the local level. These state-owned companies continuously exist on a budget of the Government, which could be used for more intelligent and logical investments.

For the state-owned companies “Macedonian Railways,” the thermal power plant “TEC Negotino,” and “The Macedonian Postal office,” the Government not long ago announced that it would start looking for a solution. They plan to lead the state companies to privatization or reorganize them in the public-private partnership. Which feasibility study should show what will be the best possible reorganization in order to provide the best services for the people and stop creating debts by those companies.

As mentioned before, these state-owned companies are perfect places to employ people from some political parties and have a high range of employees under their roof. In 2019, joint-stock companies under state property employed 8800 people from work register in the public sector. On the other hand, in the whole country, on the central and local level, there were 141 public enterprises, and in 2019, they employed 18026 people (Dodevska, 2020).

Table 1 shows a few companies from the top 10 biggest public losers in North Macedonia for 2020.

Table 1: A few of the top 10 biggest public losers in North Macedonia in 2020

Company	Income	Expenses	Loss	Number of employees
ESM (Electricity industry Macedonia)	195.4 million €	212.2 million €	16.8 million €	4802

Macedonian Railways (transport)	20 million €	26.3 million €	6.3 million €	855
Macedonian Railways (infrastructure)	12.7 million €	17.9 million €	5.2 million €	911
Macedonian Postal Office	18.9 million €	20.5 million €	1.6 million €	2010
ELEM Turs	2.1 million €	3.4 million €	1.4 million €	96

Sources: Pari (2021).

3.2.1.1 Macedonian Postal Office

The Macedonian Postal Office is a state-owned company that attracted the most attention when it is up to its inner corporate governance in the past and until nowadays. The company, with around 2000 employees, which is the most in the country's postal service business, has a debt of approximately 10 million euros (2.7 million euros in 2018). The debt was accumulated throughout the years due to bad corporate governance. This state-owned company had a couple of attempts to be privatized by recommendations of the EU (Sloboden Pechat, 2021). In 2009 the Postal office failed to merge with Canadian Posts. The merging failed due to unsuccessful negotiations and resulted in paying penalties from the Government. Macedonian Postal Office is still one of the top topics about bad corporate governance.

The government of 2020 announced that it is preparing the field for finally privatizing the Macedonian Postal Office into a public-private partnership. So far, the law about postal services has been customized to set up the area for selling the Postal Office. The following steps are creating feasibility studies by the Government officials to analyze what kind of transformation is best for the Macedonian Postal Office. The Government prefers public-private partnerships because they see more benefits from working for the country's economic growth.

From the statistics from Agency for postal services, in 2018, the total number of employees working in the postal business was 2971, of whom 2141 worked for the Macedonian Postal Office, and the rest 830 people worked for companies that produce other postal services. The total number of employees in the Macedonian Postal Office in 2018 was reduced compared to the previous year by 4,6%, while the number of employees in the other companies that produce postal services was reduced by only 0,7% (Deutsche Welle, 2020).

The volume of the postal market in North Macedonia in 2018 was 39.025.313 postal items, which, compared with the previous 2017, was reduced by 3,87%. The percentage reduction has resulted from the lower volume of work from the Macedonian Postal Office of 7%. The importance of work from other companies in the postal business rises by 44% from the total volume of postal items. In 2018 the Macedonian Postal Office measured a total volume of 35 million postal items, reducing compared to the previous year.

In 2019, 20 companies that operate in the postal business had an income of 38,4 million euros and 2 million euros in profits and employed 2959 people. In the same year, a total was operating 103 companies, of which only one was a large company, two were middle-range companies, 81 as micro-companies, and 19 as small companies (Pari, 2020). DelCo, a medium-range company, made enormous profits in 2019. Their incomes rise by 50,4% compared to the previous year and reached the amount of 4,2 million euros, from which 1.6 million euros counted as profit. No matter the rise in the profits, the company reduces the number of employees in the same year by 5,3%, and that year works, 284 employees.

Table 2 shows the difference in incomes and profits between the nationally owned Macedonian Postal Office and the privately owned company for postal services DelCo in 2019.

Table 2: Macedonian Postal Office and DelCo in 2019

Company	Incomes	Profit	Employees
Macedonian Postal Office	19,4 €	/	2054
DelCo	4,2 €	1.6 €	284

Sources: Pari (2020).

Following the bad results and the decrease in workload, the Government and the public noticed that some solutions should be found for the Macedonian Postal Office. To the recommendation by the EU, the Postal Office should have been privatized a long time ago. Still, the procedure has been delayed for many years, which blocked the liberalization of the postal market. The liberalization of the postal market was voted in the National Assembly. However, until the Postal Office is under national supervision, it has the exclusive right to deliver postal items weighing 50 gr. From 2008 to 2018, the Agency of postal services issued 68 licenses for companies that provide postal services. Until the end of 2018, the market has worked for only 35 companies in the postal business.

The first and more concrete attempt to be sold the Macedonian Postal Office was back in 2009 when the postal office should have been sold to the Canadian Postal Office. However, the attempt failed, and the Government should pay 208.494 Canadian dollars as a penalty for the failure. The negotiations lasted two years, and after seeing genuine interest from the Canadian Postal Office, the Government changed its decision. Back then, the Canadian Postal Office offered an investment of 40 million euros (Deutsche Welle, 2020). The Macedonian Government asks the Postal Office for nothing in the next 20 years and promises that the Macedonian Postal Office will become the regional center and a profitable company.

After the failure in negotiations with the Canadian Postal office, the Financial Control in 2009 noticed many omissions in the Macedonian Postal Office's operation and governance in 2004. According to State Audit Office, the director of the Macedonian Postal Office and the deputy director get their monthly wages based on a decision from the management board back in 2000 and without a written act from the Government. Furthermore, with that decision, the director and deputy director in 2004 got 22 000 euros as monthly wages. The same year without the procurement at the tender, spent more than 300 000 euros.

The effect of lousy management and being not careful with the central building of the Macedonian Postal Office, where the archive was placed, caught a big fire back in 2013. The most important documents related to the Macedonian Postal Office were archived there. The building has a significant architectural value for the city of Skopje because is built by the architect Janko Konstadinov as part of the urbanism plan of the famous architect Kenzo Tange after the big earthquake that hit Skopje in 1963. Because of the value the building has, the European Commission announced the building as one of Europe's seven most endangered buildings in 2021. Also, the famous MoMa museum in New York in the past recognized the central post office building as one of the most modest and sophisticated buildings of its time. Nowadays, the central building of the Macedonian Postal Office is still destroyed and not functional for the company's everyday work (360stepeni, 2021).

3.2.1.2 ELEM Tours

ELEM Tours is a state-owned company owning the best tourist locations in North Macedonia. Some of those locations are the biggest ski resort in North Macedonia, Popova Šapka near Tetovo, auto camp Livadišta near Struga at the Ohrid Lake and previously known as the best camp in Yugoslavia, the ski resort Kopanki near Bitola on the mountain Pelister, and other places around the country.

The listed locations are some of the most attractive areas for tourism in North Macedonia. The sites are potential attractions for tourists from the country, region, and even more comprehensive range. Good tourism could help build the economy, especially in small places like Popova Šapka near Tetovo, Livadišta near Struga, and Kopanki near Bitola. Also, good tourism helps the national economy by paying taxes and increasing the consumption of local products and services. The locations under the supervision of the ELEM tours were forgotten over time. There were no significant investments during the time to invest and develop the potential of the sites.

The government back in 2019 announced a plan for the privatization of the ski center Popova Shapka. In that direction, the Government started to invest in the infrastructure in the center area to prepare the land for easy transformation. In 2019 the main road was reconstructed with a length of 18,2 kilometers, which leads to the ski center. The road is crucial for tourists to visit the center throughout the year. Also, it was announced that all the local roads within the ski center would be reconstructed (Ministry of Economics Republic of North Macedonia, 2019). Before the street, the Government invested in a new six-seat chairlift, which will speed up the skiers' movement during the winter period.

For the center, they started to prepare a feasibility study in collaboration with Price Waterhouse Cooper, which will show deep-down analyses of the potential of the ski center and all the real estate held under ELEM Tours ownership. There could be a couple of options, like a concession public-private partnership, but the decision could not be made before the study is done.

At the end of 2022, the state-owned company with a joint venture ELEM Tours announced that it would open two new enterprises. One will be Ski Center Popova Shapka DOOEL Tetovo, which the strategic investor TechnoAlpin from Italy should take in the future (Deutsche Welle, 2022). Then the other one will be ESM Molika, which holds the available hotel Molika at the National Park Pelister and the Ski Center Kopanki.

The director of ELEM Tours, Adem Avziu, said that the new enterprise Ski Center Popova Shapka DOOEL Tetovo is expected to give its property to the strategic investor until the summer of 2023, not selling it, but with an agreement for concession. The company from Italy TechnoAlpin from South Tyrol is interested in investments in the Ski Center Popova Shapka. The offer that they present to the government gets the green light. The company was announced as a leader in the production and installation the systems for artificial snow, an expert in the design of ski slopes and ski zones with 30 years of experience, and has 16 different associations around the World with 600 employees (Faktor, 2022).

It is expected to invest 186 million euros. The project includes refurbishing the existing capacities, setting up a system for artificial snow, extending the current ski zone with new objects and slopes, refurbishing and upgrading the hotels, building new hotel capacities, building new roads and bike tracks, and creating other recreational activities. They expect this center to be listed among the most modern European winter centers.

The Minister of Environment and Spatial Planning, Naser Nuredini, at the end of 2022, and the representatives from TechnoAlpine company announced that the investment would be realized in six phases. From which the first one will be investing 55 million euros. The company representatives said the acquisition would focus on building new ski slopes and ski lifts in the first five years. It will create sixteen new ski slopes on the North Side. Nine new chairlifts and cannons for artificial snow will extend the season from the beginning of December until the end of March (Government of Republic of North Macedonia, 2022). Furthermore, it will be building two new mountain huts with capacities of 160 beds. They said that it is essential to use not only the winter season but also the summer. In the end, they mentioned that they would be investing in a new gondola from the city of Tetovo to the ski center Popova Shapka, as well as new parking lots, which will solve the problem of overcrowding.

3.2.1.3 Macedonian Railways

Macedonian Railways is a state-owned company that caused the most problems for all the governments. Railway transport is one of the most effective in transporting goods. However, also good for the economy and the environment if used to transport passengers. In North Macedonia, railway transport is not the most common form of transporting goods or passengers. The company notes losses every year, and it was helped by the national budget to continue to work. In 2020 the company lost around 8 million euros, which the Government covered at the end of the year (Velkovska, 2021). The governments tried reorganizing the railway traffic by privatizing the whole or parts of the sector. Few private companies are operating in the industry to help develop this transport. The Government had some investments in a couple of new trains in the railway network, but there were no significant investments after that.

As a company under its supervision, Macedonian Railways has two subsidiaries operating in the railway business. The first is the Macedonian Railways – transport, and the second is Railways – infrastructure. The transport company is responsible for transporting goods and passengers and, under its operations, had 855 employees in 2020 and made an income of 1.235.865.115 MKD (around 20 million euros). Still, the expenses were 1.620.640.899 MKD (approximately 26.3 million euros), which means that the company generated a loss of 6.3 million euros) (Telma, 2021). The problems with the railway lasted many

years, and the governments announced the privatization of railway transport. Still, there were only announcements so far, and nothing was realized. The losses are reflected directly in the services that the railway is offering. The trains had an average age of 50 years. Citizens complain about the train's terrible conditions, especially the winter heating and the summer cooling system. The business community also has its complaints. They have been asking for more efficient freight railway transport for many years. From the official statistics, some numbers show that in 2008, the railway transported around 4.2 million tons of goods, and in 2020 drastically lowered from 1.7 million tons of goods.

Under the Macedonian Railway's supervision, the second subsidiary is the railway – infrastructure. This part of the railway business has never talked about privatization. The infrastructure has been a target of critics from the public. The criticism is about the conditions of the infrastructure and its maintenance, which do not enable modern and fast trains to ride on it. Incomes in 2020 for the railway – infrastructure are 780.518.514 MKD (around 12.7 million euros), and the expenses are 1.103.109.450 MKD (approximately 17.9 million euros), which is a measured loss of 322.590.936 MKD (approximately 5.2 million euro). The enterprise for many years is noted for many failures, especially during the pandemic period. The incomes of Railways – infrastructure secured from compensation for using the railway network and services and rents.

The Government announced the liberalization of railway transport in 2023 (360stepeni, 2022). It means that private or state-owned companies from other countries could use the Macedonian infrastructure when transporting goods or people by railways. Also, they announced that they would support the state-owned company to cover the debts for electricity, not only to help the company but also to save the economy because North Macedonia is a transit country, and the railway sector is significant for the economy.

3.2.1.4 TEC Negotino

TEC Negotino is a state-owned company that should produce electric energy by using one of the most expensive and not environmentally friendly resources, fuel oil. The company has not produced electric power for more than ten years. The organization employs 200 employees, costing around 2 million euros annually (Meta, 2020). The company has not been working for many years because of the cost-effective system that produces electric energy. Importing energy is more cost-effective than producing the energy in TEC Negotino. The governments were trying to negotiate and create feasibility studies about the company's future, but until today, there are no solutions for its future. There were some announcements that many big companies, such as General Electric and others, are interested in buying the company, but if the company connects to the

international gas connector it will start producing electricity using the gas as a resource (Jovanovski, 2020).

In 2022 because of the electrical crisis in the World, the Government decided to reactivate the thermal power plant TEC Negotino after a break of 11 years. All the equipment was maintained, and the employees were educated during the break. Right now, it is expected to produce 90MW, and it is expected to grow double with total capacity production. After 1978 this was the first reconstruction of the kettle in TEC Negotino (A1on, 2022).

The Macedonian Government 2021 entered the investment project with Greece, Bulgaria, and Serbia in the central gas terminal in Greece, aiming to become independent electrical energy. The gas terminal will be in Alexandroupoulos, providing gas from Azerbaijan and liquid gas from the USA and other countries (Deutsche Welle, 2021). The project needs to give a 5,5 billion cubic meters capacity in 2023. The Macedonian part of the investment will be 25% of the total investment or 380 million euros. The Macedonian government expects electrical liberty with this investment.

This investment is crucial for TEC Negotino as well. The location of the thermal power plant on the main gas connector will become attractive for further functioning and producing electrical energy using more cost-effective and environmentally friendly resources (Colenco Empowering, 2021). Supplying TEC Negotino with different resources will mean creating a more attractive company and the possibility for reorganization, whether a private or public-private partnership or will remain as a state-owned company. Because of its geographical positioning, the gas supply will make TEC Negotino one of the region's most significant suppliers for delivering and exporting electric power.

4 RESEARCH ON CORPORATE GOVERNANCE

4.1 Hypothesis

The goal of the master thesis is to test the listed hypothesis using only the qualitative method of interviews and questionnaires. A qualitative approach collected data from directors and employees in the targeted state-owned companies. The interviews targeted directors or managers of state-owned companies, and the questionnaires targeted employees from the companies. All the information collected through the qualitative methods was directly related to the everyday working of the companies.

H1: The Government in North Macedonia has done almost nothing to implement better corporate governance in state-owned companies.

The first hypothesis aims to test and research the Government's past actions in the history of Macedonian state-owned companies. Also, what are the actual movements and planning of the Government related to the state-owned companies? In the end, what are the companies' needs and plans for better governance and workflow? The first hypothesis leads to the following:

H2: Macedonian state-owned companies are not ready to transform from state-owned to private companies.

The second hypothesis aims to research the actual position of the targeted state-owned companies and their potential for transforming into private companies or any other inner reorganization. Also, what potential mechanisms the management needs to implement better corporate governance within the organization? Therefore:

H3: Following the best examples from developed countries about the transformation from state-owned to private companies will help in the transformation process of state-owned companies in North Macedonia.

By researching the targeted companies' actual position, comparing it with the best cases from the region and EU, and analyze the potential for replicating or implementing some of those examples. Aiming to find ideas from managers of the organizations collected from their experience leading this kind of companies, what should and could be implemented in a market as Macedonian. Which will show:

H4: Privatization will not help some state-owned companies develop their corporate governance.

In the end, the potential reorganization and implementation of better corporate governance will help the organization function better and achieve a better performance of work, which means better services for the people, working with profits, and keeping the employees educated and happy within the organization.

4.2 Methodology

The research process of the actual situation and the potential for the future activities of the targeted state-owned companies is approached from two sides. The first was through the literature and research through other similar examples in the region and EU. Furthermore, the second is by conducting empirical research through interviews and questionnaires. The interviews with the directors or the managers of the targeted companies were done by tête-à-tête meetings, and the questionnaires were done using Google Forms to the employees of the targeted companies.

The qualitative research interview seeks to describe the meanings of central themes in the world of the subjects (Kvale, 1996). The main task in interviewing is to understand the importance of what the interviewees say. A qualitative research interview seeks to cover both a factual and a meaning level, though it is usually more difficult to interview on a meaningful level.

Interviews are beneficial for getting the story behind a participant's experiences. The interviewer can pursue in-depth information about the topic. Interviews may be helpful as a follow-up to confident respondents to questionnaires to investigate their responses further (McNamara, 1999).

The heart of a survey is its questionnaire (Krosnick and Presser, 2010). Drawing a sample, hiring and training interviewers and supervisors, programming computers, and other preparatory work are all in service of the conversation between researchers and respondents. Survey results depend on the questionnaire that scripts conversation (irrespective of how the exchange is mediated, e.g., by the interviewer or a computer). To minimize response errors, questionnaires should be crafted following best practices.

Several interviews were done with one of the leading positions in the company by discussion. A dozen questionnaires were done to the employees of the same company. The interviews were aiming not to be anonymous, but the questionnaire was anonymous because of the position that the employees could be put in. The main problems in the research process were legitimacy of the information by the people in the leading roles and reaching the ministers from the Government who could share some related information to the topic.

4.3 Results

4.3.1 Interviews with directors from state-owned companies

The interviews were done with the actual and previous directors of the targeted companies. The interviewing was done tête-à-tête with an interviewer because of the respondents' lack of time to complete the interview online via e-mail. The communication and the contacts were mailed in several ways, starting from social media such as LinkedIn and then personal contacts from other people. The process targeted the five most influential people for interviews, but it succeeded with four. The last one is the actual minister for economic affairs, who is responsible for the existing Government's feasibility and due diligence studies. It is directly connected with the research topic. The connection was made, but the response was not delivered.

The other respondents were the actual director of the state-owned company Macedonian Railways – infrastructure, Mr. Hari Lokvenec; the then current director of the state-owned company but joint venture Macedonian Railways – transport, Mr. Majan Vejseli; the third one is a previous director of the Macedonian Postal Offices, Mr. Jani Makraduli. The last one is the actual President of the Supervisory Board in TEC Negotino, but he is willing to remain anonymous.

Q1: What has the Macedonian Government done so far in implementing better corporate governance in state-owned companies?

The first research question needed to test the first hypothesis was asked throughout the interview, showing that the respondents partially agreed with the first hypothesis mentioned above.

As the actual director of the state-owned company Macedonian Railways – infrastructure, Mr. Hari Lokvenec mentioned: “My main point is the lack of control mechanisms from the side of the country and direct guidelines to introduce measurability in their work and judgment to make a mere distinction, the mere difference between the successful and the unsuccessful. However, we need criteria, specific expectations, and control mechanisms, which is extremely important.”.

He pointed to the Government's need to create mechanisms and guidelines, using world renowned statistics and research companies to understand the actual company status better and point out all the state-owned company's weaknesses and strengths.

He also mentioned the current Government's actual project, which he believes could help absorb FDI to the state-owned companies, allowing for better organization and corporate governance in each company. He said, "Those are the centralized management with all big projects to increase the country's absorption capacity for attracting significant European funds."

At the end of the interview, Mr. Hari Lokvenec mentioned that: "I am sure that feasibility and due diligence studies will provide and meet all the criteria provided before, and that is the only way for the transformation and the next steps."

He pointed out that state-owned companies need feasibility and due diligence studies. In that order, they will better understand the actual situation.

Related to the first hypothesis Mr. Jani Makraduli, the previous director of the Macedonian Postal Offices, also has some comments about the Government's movements not so far in implementing better corporate governance. He refers to the following facts: "The level of corporate governance is deficient, extremely partisan, with unspecific credentials, and unable to change because of the Government's attitude as 100% shareholder. The Government as a 100% shareholder, often decides without consultation with the management. There were examples from the past when the Assembly made a decision with which it inflicts damage on the companies. For example:

- The Assembly enacted a law for debt forgiveness on public enterprises. For example, the Macedonian Post Office's joint venture ran out of funds for services delivered, with total damage of 1 million euros.
- The Government sold shares from a joint venture Macedonian Postal Office. Still, the funds from 2,4 million euros were never returned to the Macedonian Postal Office, for example, to modernize technological processes.
- The Government decided to cancel the broadcasting fee, which is suitable for the people, but without any compensation to the joint venture Macedonian Postal Office for losing profits from delivering the bills for a broadcasting fee to the people's addresses. "

The comment of the previous director of Macedonian Postal offices clearly shows that the Government has done something, but not in a way, to implement better corporate governance. The debts that the Government opened through not responsible management of the state-owned company create financial holes that later should be filled for taxes or any other income to the national budget.

About the potential positive moves in implementing better corporate governance, he also had some comments: “There is not a lot. The companies are left alone in the governing process, and it asks more from the shareholder rather than imparting a skill, management course, etc. It is good that money from the budget fund is given to cover the losses. Still, that is only an ad-hoc measure for universal service or subsidized electricity (for joint venture ESM). A good decision is to recommend using services from the state companies from all the state institutions.”

With this, he pointed out that no clear vision has been used by the Governments so far. They always cover the debts with budget funds, but every time they cover some terrible moves from the past, that creates an obligation.

He mentioned the negative moves that the Government has made so far: “The legalization of objects is going slow, without any vision about the real estate and the non-core activities from joint ventures in the state ownership. For example, today's workflow does not require significant buildings with high costs, and their ownership is unclear.” He sees the potential in cutting the workplace in significant buildings like the Macedonian Postal Offices. He creates a more low-cost, effective office for the normal functioning of the state-owned company.

Asked about the feasibility and due diligence studies that the Government is doing now, he said: “They have been working on a couple more appropriate models, which require many resources to be invested. For now, there are no results because it is missing the political courage for significant steps from one side, but there are not enough interested wealthy investors from the other side.”

He knows about the studies but sees the weakness in the political sites and their courage to make some crucial moves.

The actual President of the Supervisory Board in TEC Negotino also has some comments on the feasibility study made by the Government. “TEC Negotino has already done a feasibility study in which three options were considered: complete privatization, public-private partnership, and keeping as a state-owned company but joining under the joint venture ESM North Macedonia (Electricity of North Macedonia). “

He also pointed out that the third option, “keeping as a state-owned company but joining under the joint venture ESM North Macedonia (Electricity of North Macedonia),” will be the first move for quickly selling the state-owned company to some foreign investor.

Mr. Majan Vejseli, the current director of the state-owned company but joint venture Macedonian Railways – transport, commented on the first research question with some actual practices that the state-owned companies were making. “We create reports that we send to the Government. In those reports, we had a political and economic system and explained why every information was analyzed in detail. The Government revision is on a desirable level and gave us excellent reports, which is most important. The Government constantly stimulates us to have procedures and control mechanisms for public acquisitions and their following for cash payment. With the Government, we collaborate continuously, and they mention all the weaknesses and create an analysis for all the information that is not published but is public. That relation is good because there is somehow a following of the work of all the state-owned companies.”

He also shared some thoughts about the feasibility studies that the Government is making. “If revisions and feasibility studies have been made to the companies, if worldwide known brands and companies were hired to do that job, it would also be of great help for the companies and the Government. Those kinds of studies detect all the problems and have the skills and knowledge to see them. In our environment, our people do not have that experience. Those studies are done for potential buyers and investors, showing all the weaknesses, strengths, and necessary analyses. It is good to have that kind of study to know the accurate picture of the company, which is hard to get from other sources.”

His point is that communication with the Government is crucial for the better functioning of state-owned companies. Also, he is willing to hire worldwide companies to realize the feasibility and other studies. He believes that with that kind of study and their information, the companies could be managed better, regardless of whether they will go private or in any other formation.

Following all the research and comments from people on leading positions in state-owned companies, it could be said that the first hypothesis is accepted. The governments have made some moves, but their results are not crucial. The corporate governance and functioning of state-owned companies are still the same, maybe even on a worse level than before.

Q2: In what position are the mentioned companies in the process of transformation from state-owned to private companies?

The second research question is needed to test the second hypothesis and was asked throughout the interview, showing that the respondents disagreed with the abovementioned hypothesis.

Related to the second hypothesis Mr. Jani Makraduli, someone in the managing position in the state-owned company, has his comments. “It is a significant influence from the political parties, unreal requirements from the labor unions made the employees used as an electorate, and it did not prioritize the company's goals first. The significant changes encounter resistance, and they can hardly realize some reforms. Additionally, the collective agreements are rigid, and the voice of the employees is crucial, but there is not yet any debate about the packages and help for eventual privatization. “

His thoughts are that the number of employees is more significant than is needed for the normal functioning of state-owned companies. That will be the first problem to solve before going private or reorganizing.

The overall picture for the state-owned companies is that they are still partisan and have much more employees than needed without concrete analyses from which the potential investors could have information about the company's investment. However, all the interviewers think that the companies should go private, but from well-known international companies, who can provide better services for the people. The second hypothesis is rejected because companies are ready, and some are already in the process of being privatized.

Q3: Could the best examples from other markets and countries be implemented in the Macedonian state-owned companies?

The third research question needed to test the third hypothesis was asked through the interview, showing that the respondents agreed with the abovementioned hypothesis.

The director of the state-owned company Macedonian Railways – infrastructure, Mr. Hari Lokvenec, related to the third question: “If we have to create that procedure led by the controlling mechanism and measurability, I am convinced of success. Still, the primary wisdom is how to secure that procedure and use the positive experiences from western countries to avoid making mistakes. “

He focuses on the controlling mechanism and system of measurability that state-owned companies could replicate in their functioning. He wants to get the point that not only privatization or some partnership could help the companies develop and have better corporate governance. He believes that with the mechanism, the state-owned companies, as it were, could work and function much better than before.

Mr. Jani Makraduli, the previous director of the Macedonian Postal Offices, for the third question he is looking through the perspective of: “There are positive experiences that can be followed, but for me, one model cannot be the same for every country. The analysis should consider the country's size and the resources that can be invested. It will be seen fast to perceive that no same model can be mirrored without appropriate changes. In our environment, the volume of services is minimal. Investing in the most sophisticated technologies, such as big sorting centers, does not pay off because the return on investment will be time-consuming. That is why the public-private partnership is a more appropriate method for me. “

He means that actual examples could not be replicated in every society and state company, and some changes should be made. However, they sure could follow some standards and practices that could lead to better reorganization. He also mentioned that for the Postal services, the most appropriate is the public-private partnership because of keeping the level of the benefits for the people without using the business to avoid its primary industry.

Mr. Majan Vejseli shared a great example from a neighboring country, which shows how privatization can get well. His comment on the third hypothesis: “The most significant moment that caught my attention is the example from the Piraeus port in Athens, where our commitment from there is Cosco. The freight trains from there are working with Cosco, which means the containers we deliver from the Piraeus port and the goods from many companies such as Samsung and others, one part of them are approaching through North Macedonia and finishing on the EU market with the railway transport. When the Chinese company Cosco bought the state-owned company Piraeus Port in Athens, they had a capacity of 600 000 containers annually. In three years, they upraised it to 6 000 000 containers annually. These results are unbelievable, and they benefit the country significantly. That is good for a company that operates the port and for any other economic operations in North Macedonia connected to the transport of containers through the territory of North Macedonia to the EU market. Another example that I remember, for five years, Cosco at the Piraeus Port in Athens has made a tunnel under Athens only for the trains getting out from the port. The goals were to avoid the traffic or make traffic jams in the city, but in express time to leave the city. That shows that even the EU country cannot be alone in realizing that kind of project without any support from a private investor interested in the investment. With that project, people working at the port are satisfied, and their wages are better than before. However, it is usual with those suitable conditions for the private investor to ask for more work from the employees. In difference to our country, the problem is much more significant.”

His example shows an excellent picture of the meaning of private investors. It means that if the investor saw a significant opportunity for investing and doing business, big changes

could happen that will significantly benefit the country and its people. Also, he mentioned that even a more developed country such as Greece, even if it is part of the EU, cannot execute big projects alone, such as reorganizing the port of Piraeus, without a prominent private investor. So, this is a great example that should and can be followed.

With the collected answers and research, the third hypothesis is accepted and shows that examples from the region and the EU could be followed. That should not be replicated because every environment has its specifics, but it could follow the process of doing it. Also, not only the complete privatization of these companies is the solution for better working and better corporate governance. As mentioned before, some businesses are more acceptable in the event of a public-private partnership.

Q4: How much will potential transformation help the companies develop further?

The last research question needed to test the previous hypothesis was asked through the interview, showing that the respondents disagreed with the abovementioned hypothesis.

Mr. Hari Lokvenec expressed his thoughts by explaining the third question: “With privatization, I guess that if we are supporting the attitude that the Government is the worst owner of state-owned companies, then it should have progress and development. However, the form of the transformation should offer and secure a specific guaranteed mechanism that the one who will get the rule for leading the company will fulfill the obligations taken with buying the company. This does not mean securing the work for the employees; it also means direct investments because all the state-owned companies offer services for the citizens at this point. The citizen is the epicenter of the functioning and working of the state-owned companies. The main criteria should be to create better services and availability on all other measures connected with the better living standard of the citizen.”

This means that he focuses on the difference between the Government as an owner and the private investor. The company will indeed develop further with continued investment, but he also mentioned that the citizens are the most important. That means that the quality of the services could not be neglected.

Regarding the fourth question, Mr. Jani Makraduli said: “If there is freedom for decision-making, the management of the state-owned company can also bring positive results. On the other side, with private management, it is easy to get to their know-how and are more accessible. The decision is faster because the political parties will influence no unwieldy and governing or supervisory boards.”

Also, he mentioned: “Without any sequence, money will be saved from the budget, the company's image will improve, the employee's wages will be higher, and the people will get better services.”

He pointed out that the government should be able to run state-owned companies effectively and efficiently. However, if they went private or as a public-private partnership definitely will be benefits and development, especially in the know-how from the management, the less influence of the politicians, good for the budget, creating a better image of the company, better wages for the employees and better services for the people.

The actual President of the Supervisory Board in TEC Negotino, regarding the fourth question: “They could obtain new technical–technological equipment, financial resources, digitalization, and knowledge. However, this does not mean that other organization models could not successfully develop the company.”

This means he is focusing on the investments that could be made if there are private investors, like investments in technology, digitalization, know-how, etc. He believes that will help develop the state-owned company, but it does not mean that the actual organization of the company could also provide good results.

Mr. Majan Vejseli, the current director of the state-owned company but joint venture Macedonian Railways – transport, related to the fourth question: “Will the privatization contribute to the more successful operation of the company? I would say yes, it will. However, I think everything is in the numbers. I believe that privatization will contribute to the country's development, but only if it is made by following all the standards. For example, our company is divided into two structures: the joint venture Macedonian Railways Transport and the other is Macedonian Railways Infrastructure which is a public company. We are paying them for the routes. If our company is privatized, the investor will not care about the politics but the profits, which is not bad. With that more significant taxes, better trains will be available, which means more money for the infrastructure because more trains will be paid to the Macedonian Railways Infrastructure. More professional people will be employed, and better services will be available for the citizens. If we talk about the joint venture Macedonian Railways Transport, the one that will buy the company first should invest much money. Still, he will know that the investment could be returned long-term because the business is attractive and will be profitable in the future. If the company is managed with profit, I think that there will be more significant incomes for the Government, better conditions for the employees, and better services for the citizens. “

He explained the way of working of the Macedonian Railways, and he firmly believed that with private investors, it could have significant development in the services. Especially in providing new locomotives for the passengers, more lines for the trains (passenger and cargo) means more significant taxes for the Government.

With the research and analysis responses, it could be concluded that the fourth hypothesis is rejected. This means the respondents believe that the potential change of the structure of the state-owned companies will provide development and better corporate governance.

Additionally, related to the topic of the master thesis, the interviewers added some comments about the positive or negative effects that society will get from transforming state-owned companies. Furthermore, are there any potential buyers of the targeted companies?

Mr. Hari Lokvenec, the director of the state-owned company Macedonian Railways – infrastructure, said: “The Government subsidizes the services and helps the country and its citizens. Optimization is one of the primary priorities of every private company. Optimizing the processes and avoiding all the opportunities to create excessive losses. On the other hand, liberal capitalism offers those criteria and without them no organization can function. Imagine the scenario where we as a country would continue to infinity with government subsidies. However, we have one big problem: the citizens' trust government institutions. Firstly, the citizen's confidence in the government institutions should be worked on, which could only be made by measurability and control mechanisms. After that, the citizens to be assured that even if the state-owned companies create losses, that loss has not been made by someone's interest but has been made to secure better services for the citizens.”

Mr. Jani Makraduli, the previous director of the Macedonian Postal Offices, said: “Dismissing many employees from work. There is a danger of strikes and riots. That is why it must think about packages and severance pay which cost money, and it should have continued social dialog to meet the expectations of the trade unions and labor organizations.”

He added, related to if there were any potential buyers of the targeted companies: “There are exciting sites but without any definite and concrete answers. As a 100% shareholder, the Government has not started the process, with the public announcement that the company is offered for complete privatization or public-private partnership.”

The actual President of the Supervisory Board in TEC Negotino, about the positive or negative effects that society will get from transforming state-owned companies, mentioned:

- Become a monopoly, and with that, raise the prices of services.
- Closing of the company because of lowering the competition.
- Firing employees means impoverishing the citizens and reducing the country's profit.

Mr. Majan Vejseli, the current director of the state-owned company but joint venture Macedonian Railways – transport, said: “There could be good and bad sides to privatization. The first bad is the rationalization of the employees, which means that employees will be fired. However, on the other side, no one can fire you from work because you are a good worker, and you are doing your tasks. Also, you are a tax payer. In our society, many people work in state-owned companies without practical work experience and duties. If the private investor runs some companies, he will not be allowed to pay someone not doing his tasks. On another side, the social moment will be gathering with that there will be firings. These radical moves could be good for the future. No longer employing these people in state-owned companies and knowing that with those kinds of employees, there is no future with the management stimulates that kind of move. In the end, the people, company, management, and Government could not progress without logical moves, such as hiring unskilled employees and irrational spending of resources.”

It is related to the question if there are any potential buyers of the targeted companies. He added: “I believe that the business of the joint venture Macedonian Railways Transport is costly, which means if someone decides to buy or invest or to be privatized by the decision of the Government, that should be some company with experience. It is well established in the Worldwide markets. Not everyone can work in this kind of business because it is peculiar. Additionally, there are significant investment costs at the beginning, which the company buyer should survive. Only a few companies could run such a business, invest, and generate profits after some more extended time.”

4.3.2 Questionnaires with employees working for the state-owned companies

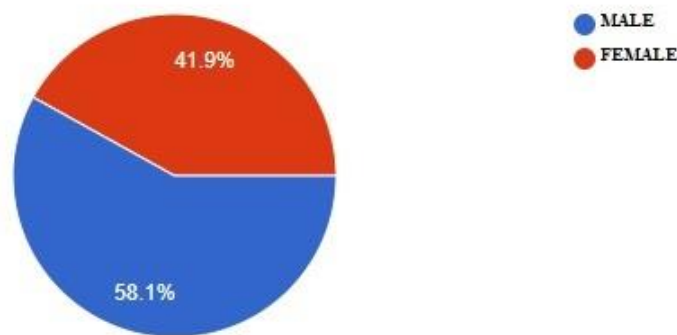
In the second part of the research, the questionnaires were done to the employees of the targeted state-owned companies. The targeted number of employees was a couple for each company. The responses show different thinking from different structures of each company and different expectations in the future from the companies.

The demographic structure of the questionnaires was a total of 31 questionnaires, from which the percentage of the male population was 58,1% and 41.9% female. All the respondents were employees in some state-owned companies targeted for research in the Master Thesis. The question for gender selection was set as “required” in the Google Forms tool.

Figure 3 shows the gender split of the employees in the state-owned companies collected by questionnaire in the qualitative research.

Figure 3: Gender split in qualitative research by questionnaires

31 responses



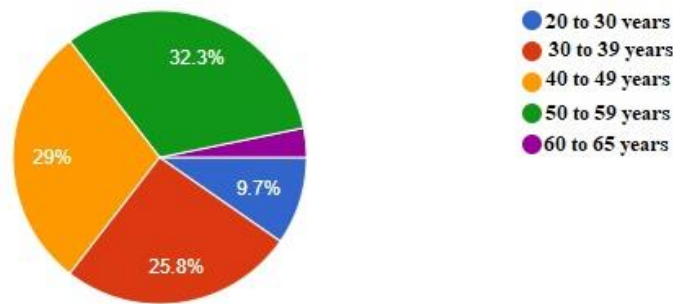
Source: own work.

The age population in the questionnaires covered the majority from 50 to 59 years old, which is 32.3%, then 40 to 49 years old covered 29% of the responses, after them, 25,8% were from 30 to 39 years old, then 20 to 30 years old with 9,7% and a small percentage from 60 to 65 years old. The lower population was the most challenging employees to collaborate with and gather responses.

Figure 4 shows the age division of the employees in the state-owned companies collected by questionnaire in the qualitative research.

Figure 4: Age division in qualitative research by questionnaires

31 responses



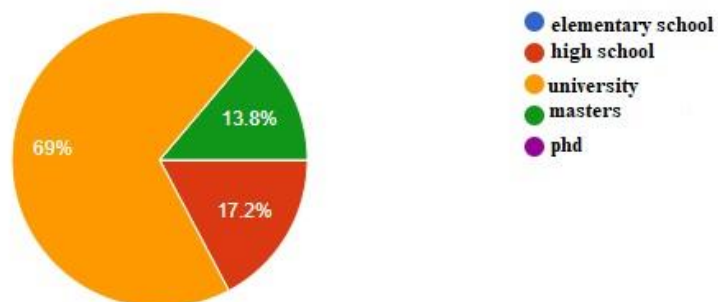
Source: own work.

The respondent's level of education was divided into five groups, from which 69% of the employees in the state-owned companies had university degrees, 13,8% had master's degrees, and 17,2% only finished High School. None of the respondents have only elementary school or any Ph.D.

Figure 5 shows the level of education of the employees in the state-owned companies collected by questionnaire in the qualitative research.

Figure 5: Level of education in qualitative research by questionnaires

29 responses

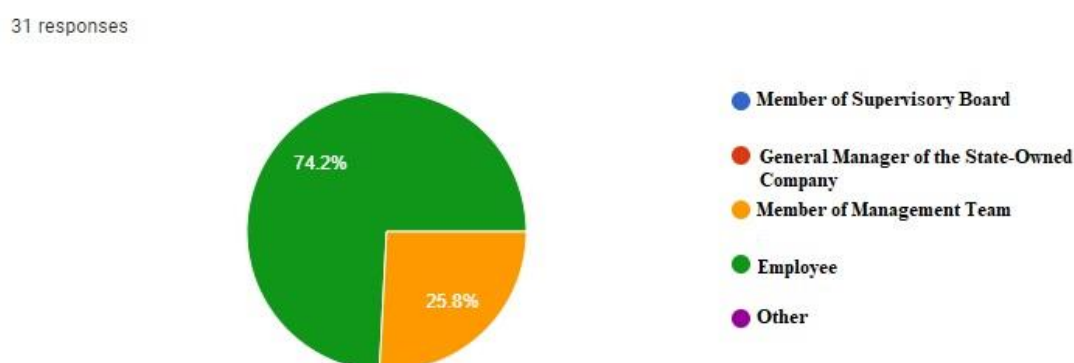


Source: own work.

On the question on which position the respondents are working in the state-owned companies, 74,2% responded that they are regular employees without any managing position, and 25,8% answered that they are part of the management team and had some managerial responsibilities.

Figure 6 shows the work position of the employees in the state-owned companies collected by questionnaire in the qualitative research.

Figure 6: Work positions in qualitative research by questionnaires

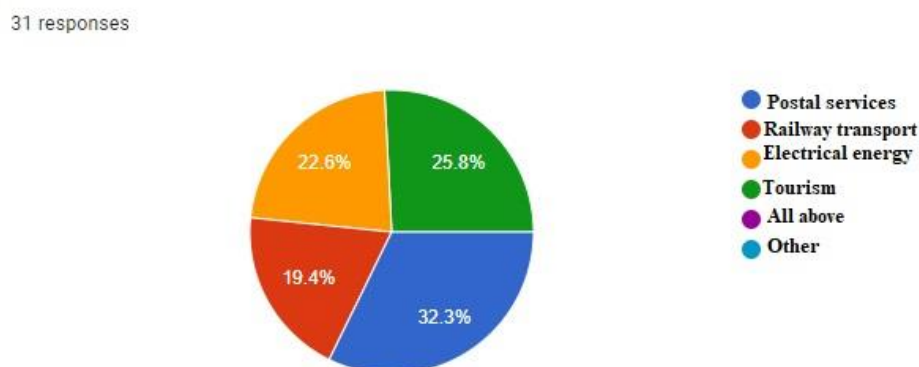


Source: own work.

Of the total number of respondents, 10 of them or 32,3%, worked at the Macedonian Postal Office then 8 or 25,8% in ELEM Tours, 7 respondents or 22,6% worked at TEC Negotino, and 6 respondents or 19,4% worked at Macedonian Railways.

Figure 7 shows the companies from which the employees took part in the questionnaires in qualitative research.

Figure 7: Companies in qualitative research by questionnaires



Source: own work.

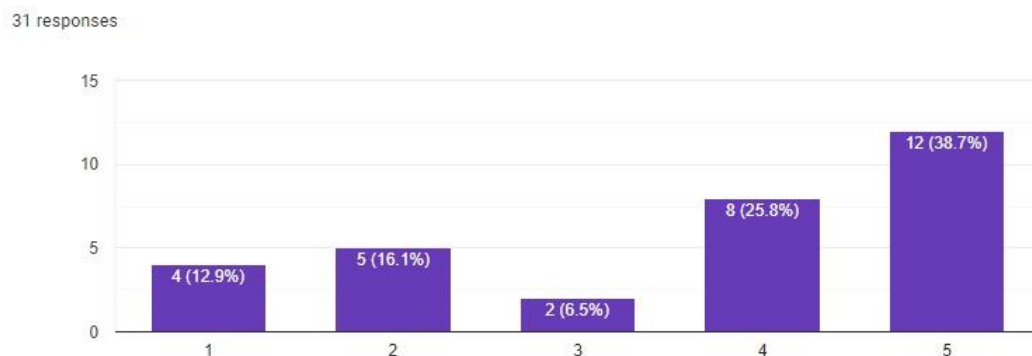
The employee survey was done with the same strategy or based on the research question that aimed to accept or reject the hypothesis set in this master thesis.

The first research question was asked through a couple of questions in the survey. The responses proved that it accepted the first hypothesis, which means that the employees believed that the Government made some moves but not some crucial actions that would change the workflow of the state-owned companies where they are working.

Asked the employees how much new employees are getting employed on every change of the political party that leads the Government, on a scale using the following criteria: I do not agree at all (1) - I do not agree (2) - I do not have enough information (3) – Partially agree (4) - I completely agree (5). 38,7% of the respondents completely agreed with the statement, 25,8% partially agreed, and 16,1% responded that they disagreed.

Figure 8 shows how much the questionnaire participants agree with the statement that new employees, managers, or directors were employed on every change of the political party that rules the government collected in the questionnaire made in qualitative research.

Figure 8: New employees, managers, or directors were employed on every change of the political party that rules the government

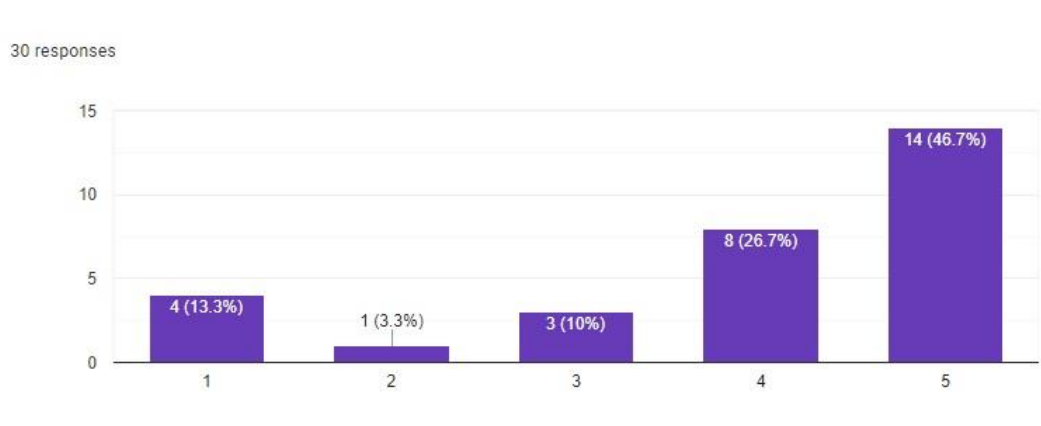


Source: own work.

Asked the respondents, did the Government use the state-owned company to employ members of the current political party that led the Government on a scale using the following criteria: I do not agree at all (1) - I do not agree (2) - I do not have enough information (3) – Partially agree (4) - I completely agree (5). 46,7% responded that they completely agreed, 26,7% answered that they partially agreed, and only 13,3% responded that they did not agree.

Figure 9 shows how much the government uses the state-owned company as a place where the members of the actual political party that rules the government can be employed, collected by the questionnaire made in qualitative research.

Figure 9: The government uses the state-owned company as a place where the members of the actual political party that rules the government can be employed

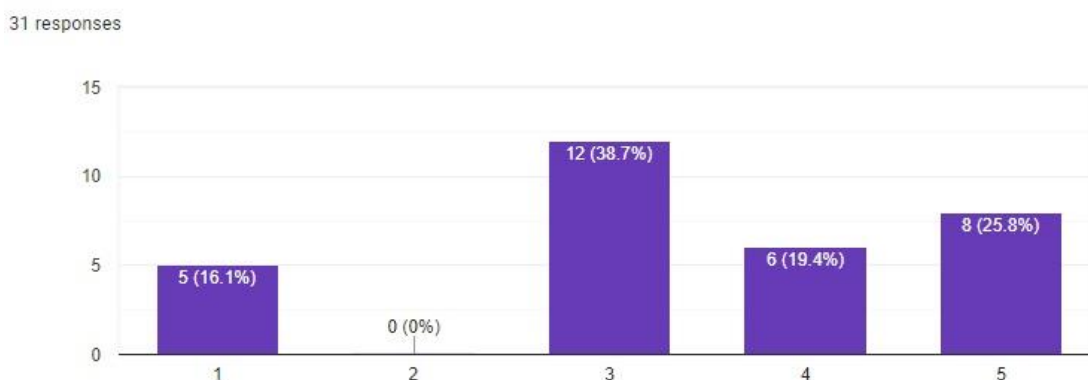


Source: own work.

The survey contained questions related to the first research question and asked the employees whether the politicians influenced the managers or directors of the state-owned companies. The respondents respond 38,7% that they do not have enough information. 25,8% answered that they completely agree, and 19,4% responded that they partially agree, which shows that the government influences the working of the management of the companies.

Figure 10 shows how often the politicians influence the managers or directors of state-owned companies, collected by the questionnaires made in qualitative research.

Figure 10: Politicians often influence the managers or directors of state-owned companies

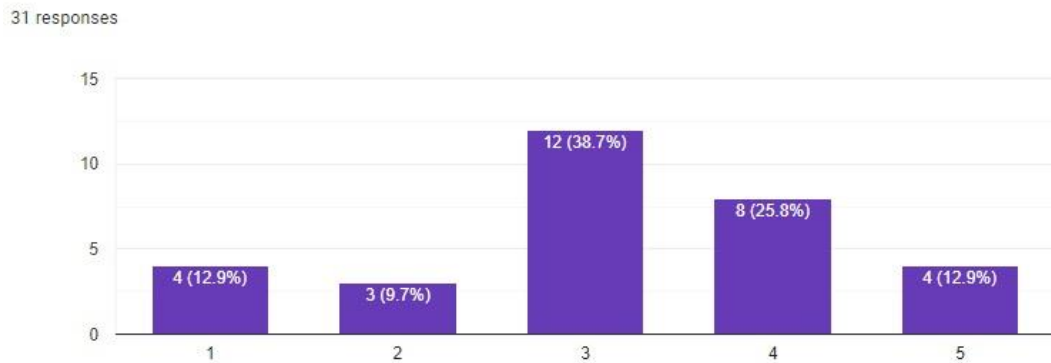


Source: own work.

The last question that proves the acceptance of the first hypothesis of the Master Thesis shows that the government had a significant influence on the state-owned companies, and it used them to rule and create businesses for its interest or the people close to the government. Asked the employees if the government used the state-owned companies' power to do business for the people close to the government or the company's management. The respondents answered 38,7% that they do not have enough information, 25,8% that they agree, and 12,9% that they completely agree or do not agree at all.

Figure 11 shows how much the government is using the company's power to run businesses close to the people in government and the management of the supervisory board, collected by the questionnaires made in qualitative research.

Figure 11: The government is using the company's power to run businesses close to the people in government and the management of the supervisory board



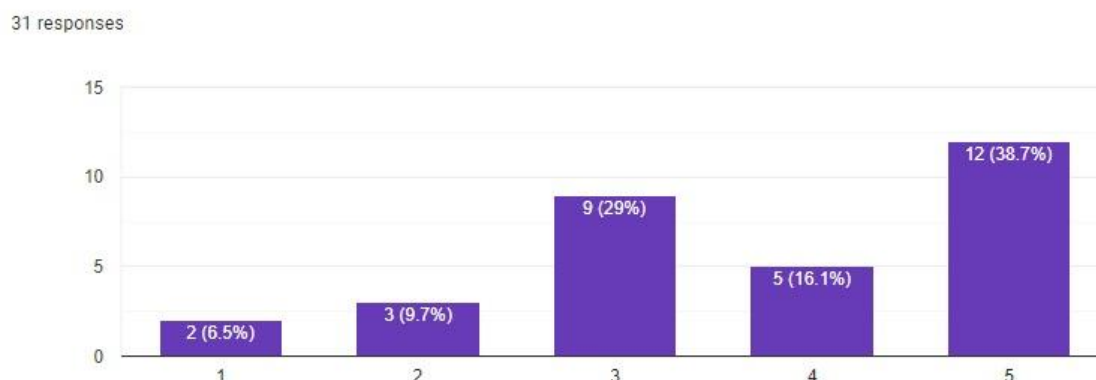
Source: own work.

The second research question was extended through a couple of questions in the Master Thesis. From the survey, it could be concluded that the second hypothesis is rejected, and the employees think that the companies are ready or state-owned already need to be private companies and has big expectations from their privatization.

Asked the employees about their actual situations and their time being part of the organization, they agreed that the employees are long period in the organization with 38,7%. They do not have enough information, 29%.

Figure 12 shows how long the employees have worked in state-owned companies, collected by the questionnaires made in qualitative research.

Figure 12: Employees have worked in state-owned companies for many years

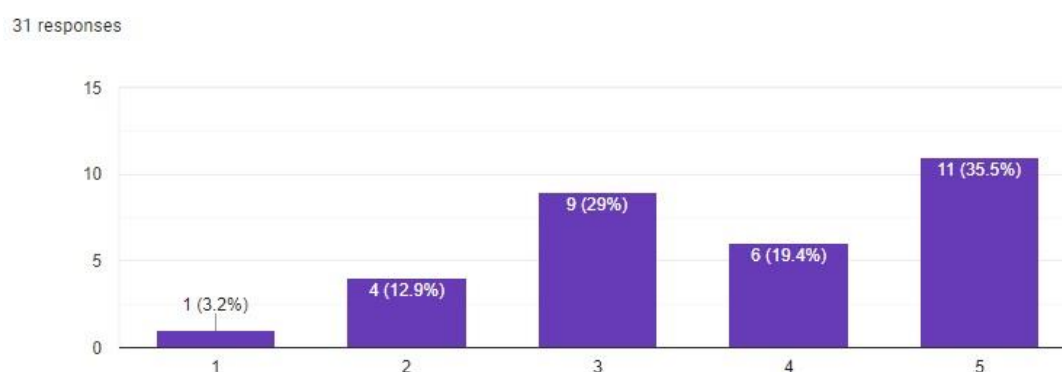


Source: own work.

Also, in a similar question about not often employees changing their positions in state-owned companies, on a scale using the following criteria: I do not agree at all (1) - I do not agree (2) - I do not have enough information (3) – Partially agree (4) - I completely agree (5). Respondents answered that 35,5% completely agree, 29% do not have enough information, and 19,4% agree.

Figure 13 shows that the employees are not changing their positions very often, collected by the questionnaires made in qualitative research.

Figure 13: The employees are not changing their positions very often



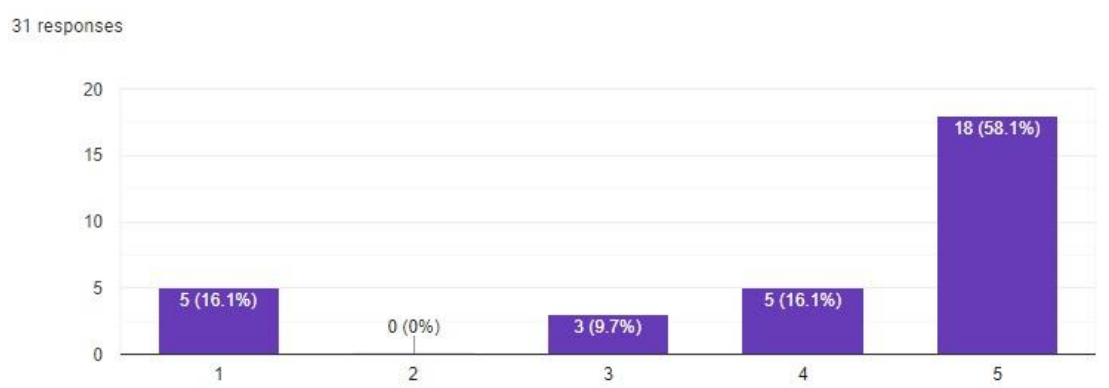
Source: own work.

Both questions lead to the state-owned companies having employees that work extended periods in the organizations and have enough experience, which could be an excellent asset for the new investor and in the reorganization.

On the last question related to the second research question, it could be analyzed that 58,1% of respondents agree that not maintaining the capital and the assets could lead the company to worse positions in selling or reorganizing to any other structure. It also means that the changes should be made now, not later, when the company's value would be lower than before.

Figure 14 shows that not maintaining the actual capital and assets in the company leads to long-term loss that becomes a disadvantage for the company in future sales and profitable functioning, collected by the questionnaires made in qualitative research.

Figure 14: Not maintaining the actual capital and assets in the company leads to long-term loss that becomes a disadvantage for the company in future sales and profitable functioning



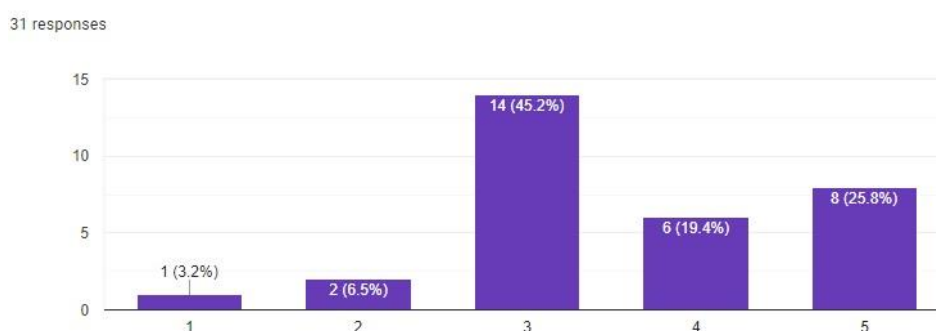
Source: own work.

The third research question also collected answers through a couple of questions in the survey, from which it could be concluded that the third hypothesis of the Master Thesis could be accepted. The respondents think that examples from abroad could be the case in the transformation of state-owned companies.

The first question asked the employees about how the transformation of the railway sector in Western Europe, including private companies in the railway system, will strengthen the network, business, and competitiveness of the local market. 45.2% answered that they do not have enough information, 25,8% responded that they completely agree, and 19,4% answered that they agree.

Figure 15 shows examples from West Europe, including private companies in the railway system, which could strengthen the business and competitiveness locally and nationally, collected by the questionnaires made in qualitative research.

Figure 15: Examples from West Europe, including private companies in the railway system, could strengthen the business and competitiveness locally and nationally

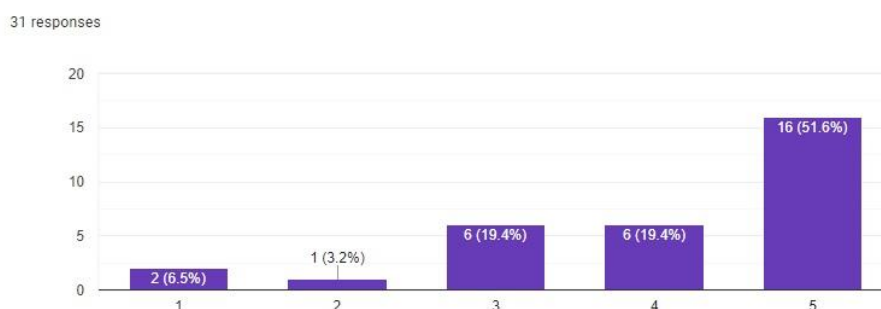


Source: own work.

All the employees in the targeted state-owned companies are related to Alkaloid's case and their successful business case from the past and present. So they were asked how much they agreed with the success story and replicable examples for the other state-owned companies. They answered 51,6% that they completely agree, and 19,4% agree or do not have enough information.

Figure 16 shows the success of Alkaloid in the worldwide market as an example of transforming domestic state-owned companies into successful companies, collected by the questionnaires made in qualitative research.

Figure 16: The success of Alkaloid in the worldwide market is an example of transforming domestic state-owned companies into successful companies



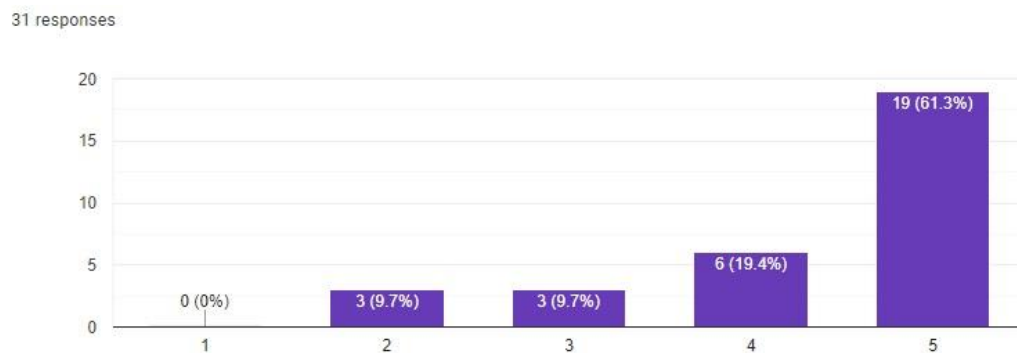
Source: own work.

The final fourth research question gathered answers from the survey, which prove that the last fourth hypothesis of the Master Thesis is being rejected. This means that the state-owned companies' employees think that the privatization or transformation into a public-private partnership could help the actual state-owned companies in their development and activities in the future.

In the first question, the respondents were asked about the qualified management employed in the new organization that should help in future development and corporate governance. They answered 61,3% that they completely agree and 19,4% that they agree.

Figure 17 shows the level of employing more qualified management could help the company to develop its corporate governance, collected by the questionnaires made in qualitative research.

Figure 17: Employing more qualified management will help the company develop its corporate governance

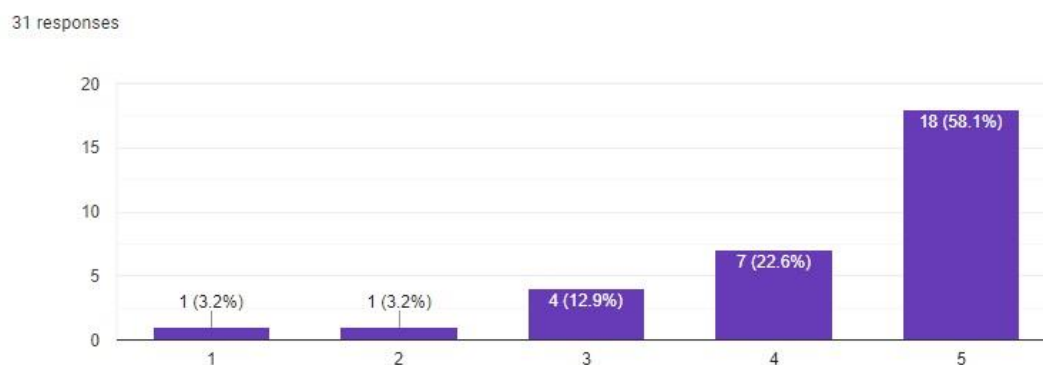


Source: own work.

When the employees were asked about the new employment in the sectors lacking human capital, they believed that it would be helpful for the more organized and good working employees. 58,1% answered completely agree, and 22,6% agree.

Figure 18 shows that employing more people in sectors where there is a lack of human capital will help better the company's work, collected by the questionnaires made in qualitative research.

Figure 18: Employing more people in sectors where there is a lack of human capital will help better the company's work



Source: own work.

CONCLUSION

The Master Thesis aims to research and prove what is best for the targeted state-owned companies to have a better future with their functioning. As for every other country, the state-owned companies for Macedonian society are significant. Those companies deliver services to the people, pay taxes, create employment, and build the country's future. For those companies, it is essential to work with profitability and to be organized on a high level. If the companies are being taken care of, they will produce more services, generate more significant profits, and pay more taxes. Those criteria are cycle connected and bring positives to all sides.

The Government should aim to keep the services targeted by state-owned companies delivering to the citizens, but not only keep it even more upgraded and create better services. Also, the debts that the state-owned companies already have should be cut because they produce minuses that the citizens pay.

Changing the organizational structure of every company could provide many positive aspects. Firstly, the reorganization could bring a more qualified workforce into the companies and create a better working and more efficient atmosphere. More efficient working will easily cut the debt that the company is already gathering. Better knowledge from new employees will create much better services for the people. In the end, for the

whole new organization to work smoothly, it needs to have new and better management which will bring better energy and results in every field.

Better corporate governance could bring many positive sides, from which finances are essential. A well-organized company will be much more attractive to various investors, such as foreign investors, credit from banks, national investment, and others. More finances in the organization, better results, and better field services will be provided.

Citizens are the epicenter of the functioning of all the state-owned companies created to help the everyday lives of the citizens. Creating better, faster, cheaper, and more directed to what the people need services will create a better atmosphere for the people's everyday living and a better image of the companies, the Government, and the country.

While working on the master thesis, it was mentioned that state-owned companies are used as a voting tool for every government. Those companies employ much more people than is needed for the business. That situation creates dissatisfaction for the other people who are not part of the companies. They are not getting better services and could notice not logical spending on the national budget for debts of the state-owned companies is madding without any positivity for the society.

The EU analysis of the activities of the state-owned companies in the union and the candidates' countries, suggested that privatization is not always the best move. It should be made for reorganizing the state-owned companies. The reason is the quality of the services that the private investors could forget about because the only interest would be the profit and not the service to the people.

When it was analyzed the targeted state-owned companies in the Master Thesis, it could be noticed that from primary and secondary information, all the companies have suggested various reorganizations.

The Macedonian Postal Offices suggested that public-private partnership could be the best reorganization because of saving the services for the people and avoiding total control from a private investor. While working on this Master's Thesis, the Government and ELEM Tours announced an investment from a private investor. Ski Center Popova Shapka will be privatized but under a concession from the well-known company from Italy, TechnoAlpin. The Government announces the liberalization of Railway transport, which means entering private companies organizing railway transport in the country. However, also a possibility for quickly selling or giving under the concession of the joint venture Macedonian Railways Transport. On the other side, the Macedonian Railways

Infrastructure announced a more extensive collaboration in the way for helping in their reorganizing and creating better corporate governance in realizing the most critical projects for the following years by the supervision of the EU. Lastly, TEC Negotino announced that it would go under ESM (Electricity industry Macedonia), which is connected to the gas network and the possibility for further selling to interested international companies working with the production and distribution of electrical energy.

To conclude, the research showed that it could be concluded that the Government has tried or done something irrelevant to implement better corporate governance in the targeted state-owned companies. The companies are ready and should start the project for their reorganization whether with private investors or any other format. International and regional examples should be followed, not constantly duplicating all the good examples but bringing out the best experience and using it for domestic companies. Privatization, public-private partnership, or reorganization will help state-owned companies improve corporate governance and create better market results.

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APPENDICES

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APPENDIX 1: Povzetek (Summary in Slovenian language)

Magistrsko delo obravnava naslov "Preoblikovanje korporativnega upravljanje podjetij v državni lasti v Severni Makedoniji". Glavni cilj je predstaviti trenutni položaj makedonskega gospodarstva, pa tudi stanje v podjetjih v državni lasti. Njihove dobičke oziroma izgube, število zaposlenih ter načrte poslovanja in razvoja v prihodnosti. Ciljna podjetja, ki so obravnavajo v diplomski nalogi so: Makedonska pošta, ELEM Tours, Makedonske železnice in TEC Negotino.

V teoretičnem delu bodo obravnavani koncepti korporativnega upravljanja in podjetij v državni lasti, v katerem bodo definirani in razloženi kot pojmi. Pojasnjeno bo, kaj pomeni korporativno upravljanje in kako pomembno je za normalno delovanje državnih podjetij. Poleg tega bodo obravnavane tudi razmere v drugih državnih podjetjih iz drugih držav v Evropi ter predstavljeni primeri, kako so ta podjetja organizirana in normalno delujejo z dobički ter imajo rast v delu. Na koncu bodo v teoretičnem delu podrobneje predstavljena ciljna makedonska državna podjetja z njihovimi rezultati in številkami, ki jih beležijo vsako leto, ter ukrepi, ki so jih vlade doslej sprejele za njihovo delovanje in nadaljnji razvoj.

Empirični del bo vključeval intervjuje z menedžerji ali direktorji ciljnih državnih podjetij. Opravljeni so bili pogovori tete-à-tête s predstavniki podjetij, kot so sedanji in pretekli menedžerji ali direktorji, ki natančno poznajo trenutni položaj podjetij. Prav tako bodo v empiričnem delu predstavljeni rezultati vprašalnikov, razdeljenih zaposlenim v ciljnih državnih podjetjih, ki že vrsto let delajo v državnih podjetjih in dobro poznajo celoten potek dogajanja v vsakem od podjetij. . Glavni cilj je predstaviti njihovo mnenje o podjetjih, v katerih delajo, ter izmeriti njihovo zadovoljstvo z delom pri njih. Intervjuji so javni, medtem ko so bili vprašalniki zaradi položaja zaposlenih anonimni.

Nazadnje bodo v zaključku sublimirani vsi razdelki, ki so bili predhodno odprti v diplomski nalogi, in oblikovano mnenje, vezano na predhodno zbrane primarne in sekundarne informacije. Mnenje bo pokazalo, da obstaja več različnih možnosti, kako se lahko preoblikuje korporativno upravljanje v družbah v državni lasti, vse zato, da bi družbe začele beležiti dobre rezultate. Kakorkoli lahko zaključimo, da lahko podjetja ob ustreznem vodenju delujejo z zadovoljnimi zaposlenimi in državljanom nudijo dobre storitve.

APPENDIX 2: Transcript of interview with the director of the Macedonian Railways Infrastructure

Interview A: Hari Lokvenec

Director of the Macedonian Railways Infrastructure

Sound recorded interview, conducted in person

Q: What is your opinion about the level of corporate governance in the state-owned companies in North Macedonia?

A: The question is too foreign, and the direct response depends on the management's knowledge, skills, and wishes, which at this moment leads the state-owned companies. My main point is the lack of control mechanisms from the side of the country and direct guidelines to introduce measurability in their work and judgment to make a mere distinction, the mere difference between the successful and the unsuccessful. However, we need criteria, specific expectations, and control mechanisms, which is extremely important.

Q: What are the positive moves the Government has made so far in implementing better corporate governance in state-owned companies?

A: I can speak for the situation now, especially in realizing the projects the Macedonian Government is doing in this pre-accession period. Those are the centralized management with all big projects to increase the country's absorption capacity for attracting significant European funds. At this point, we cannot complain in comparison with the other countries from the region, but neither to praise ourselves for maximizing the usage of the European funds, which needs to be our primary goal.

Q: What are the negative moves the Government has made so far in implementing better corporate governance in state-owned companies?

A: Doing nothing is the most negative thing so far. They have done nothing but leave the state-owned companies to work and function by themselves.

Q: Are the state-owned companies ready to transform into private companies?

A: You are speaking with the director of a public company; I could not answer this question directly. However, I think that the transformation is specific for every company separately.

It relates to the company's actual situation, the market's natural condition, and the demand and supply from the side of the investors.

Q: How far could state-owned companies develop if they transformed into private companies?

A: By fulfilling the prerequisites that I have mentioned before and knowing that the Government always supports the public and the state-owned companies, I think that implementing the controlling mechanisms and the specific, explicit directions in their functioning could succeed even now. With privatization, I guess that if we are supporting the attitude that the Government is the worst owner of state-owned companies, then it should have progress and development. However, the form of the transformation should offer and secure a specific guaranteed mechanism that the one who will get the rule for leading the company will fulfill the obligations taken with buying the company. This does not mean securing the work for the employees; it also means direct investments because all the state-owned companies offer services for the citizens at this point. The citizen is the epicenter of the functioning and working of the state-owned companies. The main criteria should be to create better services and availability on all other measures connected with the better living standard of the citizen.

Q: What do you think about examples of privatization of state-owned companies in Europe and the region? Could those examples be followed in transforming the Macedonian state-owned companies?

A: From the first moment of this interview, I am talking about the controlling mechanism. I am talking about the merit system and measurability, not the processes' interpretation, stretching, and elasticity. If we have to create that procedure led by the controlling mechanism and measurability, I am convinced of success. Still, the primary wisdom is how to secure that procedure and use the positive experiences from western countries to avoid making mistakes.

Q: It was announced that the Government would work on a feasibility study to transform a couple of state-owned companies into private ones. Will the study help rational and reasonable transformation without using the companies for some personal interests? And do we have some actual results from the survey?

A: I am sure that feasibility and due diligence studies will provide and meet all the criteria provided before, and that is the only way for the transformation and the next steps.

Q: Are there any potential buyers for the targeted state-owned companies? How powerful are they and what are their plans for the future with the companies?

A: No answer to this question.

Q: What benefits would the state-owned companies have if they went into private companies?

A: My guess is that the development, the capital, the more significant opportunities for access to the capital market, and the interest through better services for the citizens. As we said, they are in the first place of importance and always ask for their welfare. The main attraction of every investor is profit, and we do not have anything against it unless all the essential criteria are met.

Q: What are the adverse effects for the companies and the society if the state-owned companies went into private ownership?

A: The Government subsidizes the services and helps the country and its citizens. Optimization is one of the primary priorities of every private company. Optimizing the processes and avoiding all the opportunities to create excessive losses. On the other hand, liberal capitalism offers those criteria and without them no organization can function. Imagine the scenario where we as a country would continue to infinity with government subsidies. However, we have one big problem: the citizens' trust government institutions. Firstly, the citizen's confidence in the government institutions should be worked on, which could only be made by measurability and control mechanisms. After that, the citizens to be assured that even if the state-owned companies create losses, that loss has not been made by someone's interest but has been made to secure better services for the citizens.

Appendix 3: Transcript of interview with ex-General Director at Macedonian Postal Office

Interview: Jani Makraduli

ex-General Director at Macedonian Postal Office

Responded via email

Q: What is your opinion about the level of corporate governance in the state-owned companies in North Macedonia?

A: The level of corporate governance is deficient, extremely partisan, with unspecific credentials, and unable to change because of the Government's attitude as 100% shareholder. The Government as a 100% shareholder, often decides without consultation with the management. There were examples from the past when the Assembly made a decision with which it inflicts damage on the companies. For example:

- The Assembly enacted a law for debt forgiveness on public enterprises. For example, the Macedonian Post Office's joint venture ran out of funds for services delivered, with total damage of 1 million euros.
- The Government sold shares from a joint venture Macedonian Postal Office. Still, the funds from 2,4 million euros were never returned to the Macedonian Postal Office, for example, to modernize technological processes.
- The Government decided to cancel the broadcasting fee, which is suitable for the people, but without any compensation to the joint venture Macedonian Postal Office for losing profits from delivering the bills for a broadcasting fee to the people's addresses. “

Q: What are the positive moves the Government has made so far in implementing better corporate governance in state-owned companies?

A: There is not a lot. The companies are left alone in the governing process, and it asks more from the shareholder rather than imparting a skill, management course, etc. It is good that money from the budget fund is given to cover the losses. Still, that is only an ad-hoc measure for universal service or subsidized electricity (for joint venture ESM). A good decision is to recommend using services from the state companies from all the state institutions.”

Q: What are the negative moves the Government has made so far in implementing better corporate governance in state-owned companies?

A: The legalization of objects is going slow, without any vision about the real estate and the non-core activities from joint ventures in the state ownership. For example, today's workflow does not require significant buildings with high costs, and their ownership is unclear.”

Q: Are the state-owned companies ready to transform into private companies?

A: Unfortunately, they are not. It is a significant influence from the political parties, unreal requirements from the labor unions made the employees used as an electorate, and it did not prioritize the company's goals first. The significant changes encounter resistance, and they can hardly realize some reforms. Additionally, the collective agreements are rigid, and the voice of the employees is crucial, but there is not yet any debate about the packages and help for eventual privatization.

Q: How far could state-owned companies develop if they transformed into private companies?

A: If there is freedom for decision-making, the management of the state-owned company can also bring positive results. On the other side, with private management, it is easy to get to their know-how and are more accessible. The decision is faster because the political parties will influence no unwieldy and governing or supervisory boards.

Q: What do you think about examples of privatization of state-owned companies in Europe and the region? Could those examples be followed in transforming the Macedonian state-owned companies?

A: There are positive experiences that can be followed, but for me, one model cannot be the same for every country. The analysis should consider the country's size and the resources that can be invested. It will be seen fast to perceive that no same model can be mirrored without appropriate changes. In our environment, the volume of services is minimal. Investing in the most sophisticated technologies, such as big sorting centers, does not pay off because the return on investment will be time-consuming. That is why the public-private partnership is a more appropriate method for me.

Q: It was announced that the Government would work on a feasibility study to transform a couple of state-owned companies into private ones. Will the study help rational and

reasonable transformation without using the companies for some personal interests? And do we have some actual results from the survey?

A: They have been working on a couple more appropriate models, which require many resources to be invested. For now, there are no results because it is missing the political courage for significant steps from one side, but there are not enough interested wealthy investors from the other side.”

Q: Are there any potential buyers for the targeted state-owned companies? How powerful are they and what are their plans for the future of the companies?

A: There are interested parties but without any definite and concrete answers. As a 100% shareholder, the government has not started the process, with the public announcement that the company is offered for complete privatization or public-private partnership.

Q: What benefits would the state-owned companies have if they went into private companies?

A: Without any sequence, money will be saved from the budget, the company's image will improve, the employee's wages will be higher, and the people will get better services. Anyway, I think the country and its Government could show capacity and knowledge that could lead the state-owned companies, especially to public services.

Q: What are the adverse effects for the companies and the society if the state-owned companies went into private ownership?

A: Dismissing many employees from work. There is a danger of strikes and riots. That is why it must think about packages and severance pay which cost money, and it should have continued social dialog to meet the expectations of the trade unions and labor organizations

Appendix 4: Transcript of interview with the director of the joint venture Macedonian Railways Transport

Interview: Majan Vejseli

Director of the joint venture Macedonian Railways Transport

Sound recorded interview, conducted in person

Q: What is your opinion about the level of corporate governance in the state-owned companies in North Macedonia?

A: I can talk about the company I manage, the joint venture Macedonian Railways Transport which is 100% government ownership. Corporate governance is not on the desirable level. It could be said that there are many shortcomings in the operations. That shows that we are not following the trends, and all the directions are for more effective working and a more rational and better approach to the information. Let us talk about the joint venture Macedonian Railways Transport. I am not personally satisfied with corporate governance because the company is in the same place from the past in point of development in every field, such as finance, legal, and other areas. That creates big problems and leads to the company not reporting the actual situation to the Government and the citizens, who are the final customers and the ones paying for the services. The company is a joint venture, but it is continuously supported by the Government and has continuous transfers and money support.

Q: What are the positive moves the Government has made so far in implementing better corporate governance in state-owned companies?

A: We create reports that we send to the Government. In those reports, we had a political and economic system and explained why every information was analyzed in detail. The Government revision is on a desirable level and gave us excellent reports, which is most important. The Government constantly stimulates us to have procedures and control mechanisms for public acquisitions and their following for cash payment. With the Government, we collaborate continuously, and they mention all the weaknesses and create an analysis for all the information that is not published but is public. That relation is good because there is somehow a following of the work of all the state-owned companies.”Q: What are the negative moves the Government has made so far in implementing better corporate governance in state-owned companies?

A: If we are in this situation, something terrible has been done. However, I have no comment on this question.

Q: Are the state-owned companies ready to transform into private companies?

A: I would firstly ask if the companies are attractive to private investors. If so, will the privatization contribute to the more successful operation of the company? I would say yes, it will. However, I think everything is in the numbers. I believe that privatization will contribute to the country's development, but only if it is made by following all the standards. For example, our company is divided into two structures: the joint venture Macedonian Railways Transport and the other is Macedonian Railways Infrastructure which is a public company. We are paying them for the routes. If our company is privatized, the investor will not care about the politics but the profits, which is not bad. With that more significant taxes, better trains will be available, which means more money for the infrastructure because more trains will be paid to the Macedonian Railways Infrastructure. More professional people will be employed, and better services will be available for the citizens. If we talk about the joint venture Macedonian Railways Transport, the one that will buy the company first should invest much money. Still, he will know that the investment could be returned long-term because the business is attractive and will be profitable in the future. If the company is managed with profit, I think that there will be more significant incomes for the Government, better conditions for the employees, and better services for the citizens.

Q: How far could state-owned companies develop if they transformed into private companies?

A: The accurate picture would be changed 180 degrees, but I think we already discussed this.

Q: What do you think about examples of privatization of state-owned companies in Europe and the region? Could those examples be followed in transforming the Macedonian state-owned companies?

A: There is an example from Greece from Thessaloniki port, which is privatized, and the private capital can already be noticed and is giving positive results. The most significant moment that caught my attention is the example from the Piraeus port in Athens, where our commitment from there is Cosco. The freight trains from there are working with Cosco, which means the containers we deliver from the Piraeus port and the goods from many companies such as Samsung and others, one part of them are approaching through North Macedonia and finishing on the EU market with the railway transport. When the Chinese company Cosco bought the state-owned company Piraeus Port in Athens, they had a capacity of 600 000 containers annually. In three years, they upraised it to 6 000 000 containers annually. These results are unbelievable, and they benefit the country significantly. That is good for a company that operates the port and for any other economic operations in North

Macedonia connected to the transport of containers through the territory of North Macedonia to the EU market. Another example that I remember, for five years, Cosco at the Piraeus Port in Athens has made a tunnel under Athens only for the trains getting out from the port. The goals were to avoid the traffic or make traffic jams in the city, but in express time to leave the city. That shows that even the EU country cannot be alone in realizing that kind of project without any support from a private investor interested in the investment. With that project, people working at the port are satisfied, and their wages are better than before. However, it is usual with those suitable conditions for the private investor to ask for more work from the employees. In difference to our country, the problem is much more significant.

Q: It was announced that the Government would work on a feasibility study to transform a couple of state-owned companies into private ones. Will the study help rational and reasonable transformation without using the companies for some personal interests? And do we have some actual results from the survey?

A: If revisions and feasibility studies have been made to the companies, if worldwide known brands and companies were hired to do that job, it would also be a great help for the companies and the Government. Those kinds of studies detect all the problems and have the skills and knowledge to reveal them. In our environment, our people do not have that experience. For example, our company does not have a good accounting system; we are still using an old Yugoslavian system. Also, the data management is terrible. With revision and a feasibility study, all the problems would be detected. Those studies are done for potential buyers and investors, showing all the weaknesses, strengths, and necessary analyses. I believe that there could not be any damage from these kinds of studies. Only good things could come from them, not depending on whether the companies will go under privatization. It is good to have that kind of study to know the accurate picture of the company, which is hard to get from other sources.

Q: Are there any potential buyers for the targeted state-owned companies? How powerful are they and what are their plans for the future with the companies?

A: I could not find a concrete answer to this question. However, I believe that the business of the joint venture Macedonian Railways Transport is costly, which means if someone decides to buy or invest or to be privatized by the decision of the Government, that should be some company with experience. It is well established in the Worldwide markets. Not everyone can work in this kind of business because it is peculiar. Additionally, there are significant investment costs at the beginning, which the company buyer should survive. Only a few companies could run such a business, invest, and generate profits after some more extended time.

Q: What benefits would the state-owned companies have if they went into private companies?

A: The benefits I mentioned before, with a warning, are only if the privatization has been made as it should be, following the standards and avoiding monopoly positions.

Q: What are the adverse effects for the companies and the society if the state-owned companies went into private ownership?

A: There could be good and bad sides to privatization. The first bad is the rationalization of the employees, which means that employees will be fired. However, on the other side, no one can fire you from work because you are a good worker, and you are doing your tasks. Also, you are a tax payer. In our society, many people work in state-owned companies without practical work experience and duties. If the private investor runs some companies, he will not be allowed to pay someone not doing his tasks. On another side, the social moment will be gathering with that there will be firings. These radical moves could be good for the future. No longer employing these people in state-owned companies and knowing that with those kinds of employees, there is no future with the management stimulates that kind of move. In the end, the people, company, management, and Government could not progress without logical moves, such as hiring unskilled employees and irrational spending of resources.

Appendix 5: Transcript of interview with the President of the Supervisory Board in TEC Negotino

Interview: anonymous

President of the Supervisory Board in TEC Negotino

Responded by LinkedIn

Q: What is your opinion about the level of corporate governance in the state-owned companies in North Macedonia?

A: If it were rated, on a scale from 1 to 5, I would say 4.

Q: What are the positive moves the Government has made so far in implementing better corporate governance in state-owned companies?

A: Considering the relations between the political parties and the participants in the Government, the appropriate management authorities (Supervisory Board and Management Board) employ experts and competent persons. For TEC Negotino, the feasibility study has been made.

Q: What are the negative moves the Government has made so far in implementing better corporate governance in state-owned companies?

A: Not enough communication between the Government and its Supervisory Board representatives. The contact often goes through the President of the Management Board or General Manager.

Q: Are the state-owned companies ready to transform into private companies?

A: No answer to this question.

Q: How far could state-owned companies develop if they transformed into private companies?

A: They could obtain new technical–technological equipment, financial resources, digitalization, and knowledge. However, this does not mean that other organization models could not successfully develop the company.

Q: What do you think about examples of privatization of state-owned companies in Europe and the region? Could those examples be followed in transforming the Macedonian state-owned companies?

A: No answer to this question.

Q: It was announced that the Government would work on a feasibility study to transform a couple of state-owned companies into private ones. Will the study help rational and reasonable transformation without using the companies for some personal interests? And do we have some actual results from the survey?

A: “TEC Negotino has already done a feasibility study in which three options were considered: complete privatization, public-private partnership, and keeping as a state-owned company but joining under the joint venture ESM North Macedonia (Electricity of North Macedonia). “

Q: Are there any potential buyers for the targeted state-owned companies? How powerful are they and what are their plans for the future with the companies?

A: No answer to this question.

Q: What benefits would the state-owned companies have if they went into private companies?

A: Getting new technical–technological equipment, digitalization, and new knowledge.

Q: What are the adverse effects for the companies and the society if the state-owned companies went into private ownership?

- Become a monopoly, and with that, raise the prices of services.
- Closing of the company because of lowering the competition.
- Firing employees means impoverishing the citizens and reducing the country's profit.

Appendix 6: Questionnaire delivered to 31 employees in the state-owned companies

Questions:

1. In which position did you work in the company's last five to ten years?

- Member of the supervisory board of the state-owned company
- General Manager of the state-owned company
- Member of the Management Board of the state-owned company
- An employee in the state-owned company
- Other (external collaborator, minister, or any other related position with the state-owned company) _____ (please, name the position)

2. In what field of work did the state-owned company operate?

- Postal business
- Railway sector
- Electric energy
- Tourism
- All of them
- Other

3. Indicate how much you agree with the following statements, which show how much the governments have done in implementing better corporate governance of the state-owned company.

Using the following criteria: I do not agree at all - I do not agree - Neither nor do I agree - I completely agree - I do not have enough information.

- The state-owned company follows the OECD principles for governing the company.
- New employees, managers, or directors were employed on every change of the political party that rules the Government.
- In recent years, the political influence has increased in governing state-owned companies.
- You have been under political pressure to do something against your will or competencies while working in a state-owned company.
- Politicians often influence the managers or directors of state-owned companies.
- The managers or directors are independent and do not belong to any political party.
- Employees have worked in state-owned companies for many years, not depending on which party rules the Government.

- The employees are not changing their positions very often.

4. Rate how much you agree with the national Government's current Government of the state-owned company so far.

Using the following criteria: I do not agree at all - I do not agree - Neither nor do I agree - I completely agree - I do not have enough information.

- The state-owned company works very formally, and most of the time, the company works with laws, rules, control procedures, and controls.
- The company's corporate governance focuses on short-term projects and profits.
- The corporate governance of the state-owned company is focused on long-term development, cutting debts, and further company growth.
- The corporate governance of the state-owned company is focused on the broader society, not only on the company's development.
- The state-owned company's influence on society is powerful.
- The company employees have significant trust in the actual management of the company.

5. Which steps have the Government already taken to develop corporate governance in state-owned companies?

Using the following criteria: I do not agree at all - I do not agree - Neither nor do I agree - I completely agree - I do not have enough information.

- Consistently take care of the debt of the state-owned company.
- Invest in the infrastructure and good conditions for doing future business.
- Educate and train the employees to stay competitive in the workforce market.
- Using the state-owned company as a place where the members of the actual political party that rules the Government can be employed.
- Invest in non-logical investments that are not leading to opening new business for the company.
- They are using the company's power to run businesses close to the people in Government and the management of the supervisory board.

6. Privatization of some state-owned companies in developed countries produced excellent and bad examples. Do you agree with the following statements if the state-owned company transforms into a private company that will help develop its corporate governance?

Using the following criteria: I do not agree at all - I do not agree - Neither nor do I agree - I completely agree - I do not have enough information.

- The current number of employees in the state-owned company is enough for the normal functioning of the state-owned company.
- The intelligent and responsible spending of the resources of the state-owned company is usual for the everyday working of the company.
- The management invests in further company development, and the assets are planned annually.
- The state-owned company is not operating in other areas that should not be in its field of work to gather more significant profits.
- The state-owned company is not profitable and is not attractive to private investors.
- The state-owned company is not working in the profitable sector and has no potential for further development.
- Not maintaining the actual capital and assets in the company leads to long-term loss that becomes a disadvantage for the company in future sales and profitable functioning.

7. What do you think, which of the listed companies are the most prepared to transform into private companies instantly?

Using the following criteria: Not ready – Partially ready – Ready – Already need to be a private company – I have no idea.

- Macedonian Postal Office
- Macedonian Railways
- TEC Negotino
- ELEM Tours

8. Following the example from Europe and home, the state-owned companies in North Macedonia could follow some of the best examples for better implementation on the market. Could similar examples be a case for Macedonian state-owned companies?

Using the following criteria: I do not agree at all - I do not agree - Neither nor do I agree - I completely agree - I do not have enough information.

- Privatizing the Royal Daily Mail in the UK after 500 years under national supervision. Could the Macedonian Postal Office follow the same example and become a private company?
- The success of Alkaloid as a domestic company in the worldwide market is an example of transforming domestic state-owned companies into successful companies in domestic and foreign markets.

- Selling the state-owned companies to local investors is adequate for ruling the complex business in the local markets.
- The interest of General Electric and other big companies in the electric energy business in buying TEC Negotino is a good point for creating great local and regional companies for importing and exporting electricity.
- Following the examples from West Europe about including private companies in the railway system could strengthen the business and competitiveness on a local and regional level in the Railway business.

9. Partly or entirely, privatization could and could not help the state-owned company develop its corporate governance. What would happen if the state-owned company went into private ownership?

Using the following criteria: I do not agree at all - I do not agree - Neither nor do I agree - I completely agree - I do not have enough information.

- Many employees working in state-owned companies face the private owner's first problem. Cutting the number of employees would be the first step of the new ownership.
- The most profitable services or products will focus on the newest ownership. Cutting the services or products useful for society but not profitable for the company will happen if the ownership changes.
- It is investing in new areas of business that are not core for the state-owned company but are very close to its place of work. That would defocus the company from its primary job.
- Changing the ownership of the state-owned companies could leak out the country's profits if its new owner is a foreign investor.
- Employing more qualified management will help the company develop its corporate governance.
- Employing more people in sectors where there is a lack of human capital will help better the company's work.

10. Gender:

- Men
- Women

11. Age:

- 20 to 30 years old

- 30 to 39 years old
- 40 to 49 years old
- 50 to 59 years old
- 60 to 65 years old

12. Experience working in a state-owned company.

Write the years of experience:

- _____

13. Education:

- Basic education
- Secondary education
- Higher education
- Postgraduate education
- PhD