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M A N A G E M E N T

Lecture texts
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«Economics and Management»

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Are recommended to the edition by management and environmental economics chair _____

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The lecture texts on discipline « Management» are stated according to the base curriculum of the given course. In the edition the basic concepts and stages of development of the theory of management, laws and principles of management, function and management methods, theoretical and practical aspects of construction of effective systems and structures of management are considered by the modern organisation.

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THE PREFACE

In the conditions of accruing competitive relations in branches of a himiko-wood complex the sustainable development of the enterprises can be provided by means of the organisation of well debugged guidance system flexibly reacting to changes of the market. Construction of such model of management demands from experts of system knowledge in the field of the theory and management practice.

The subject matter "Management" is a special course from a cycle of disciplines economic a profile, to giving students base knowledge in the field of the theory and management practice by the modern enterprises.

The *overall objective* of teaching of a subject matter "Management" consists in acquaintance of students with the basic approaches, models and principles of management of the enterprises, formations of skills on realisation of strategy of development of business.

Within the limits of the present discipline are studied:

- ✓ Essence, features and management categories;
- ✓ Laws and principles of management of the organisation;
- ✓ History of development of management;
- ✓ Functions and management methods;
- ✓ Formation of organizational structures of management;
- ✓ Process and methods of acceptance of administrative decisions;
- ✓ Management styles and communications;
- ✓ Development and grading of the enterprise organisations;
- ✓ Features of management of the enterprises of various organizational-legal forms (UC, ALC, Open Company, Joint-Stock Company, Open Community, etc.);
- ✓ Formation and realisation of strategy of development of the enterprises.

In the course of studying of discipline the student should acquire:

- ✓ Elementary skills of the organisation and mapping out of administrative activity;
- ✓ Basic ideas and management approaches as managerial process by people in the organisation, construction of strategy;
- ✓ System character of operation of business.

The given texts of lectures are made according to the curriculum № Td - _____, confirmed _____, and represent a statement of the cores that of the lecture course which studying allows to acquire a theoretical material.

1. THE GENERAL IDEA ABOUT MANAGEMENT

1.1. A subject and the management maintenance. The basic categories of discipline

Life of each person inseparably linked with the various organisations (school, high school, firm, the enterprise, public organisations, state structures of management, etc.). In the conditions of the market competitive environment functioning and development of any of them demands a competent management, construction of a modern guidance system. The last is object of research of theoretical bases of management.

Now the concept "management" was included into our lexicon and inherently is international. This word has occurred from lat. «manus» - a hand which later was transformed to an English verb to manage - to supervise, operate, go round horses. Now the word «management» is used only at a marking-off of such concept, as «management of the organisation».

In the Oxford dictionary of English language following variants of translation of a word «management» are presented:

- 1) a way, a manner of the reference with people;
- 2) the power and a management skill;
- 3) special type of skill of the organisation of business and administrative skills;
- 4) an authority, an administrative unit.

The modern science about management puts wider sense in this concept, considering management as the difficult guidance system providing adaptation of the organisation to external market changes.

Now there are many formulations of concept "the management" which maintenance is reduced to the following:

First, *management* is an activity on a management of people in the most various organisations which primary goal is achievement of mapped out indicators or the purposes. In the given understanding management represents the complex subsystem including such sorts of activity as management of purchases, manufacture, the finance, marketing, strategic mapping out and etc. Various sorts of administrative activity have received the name *of functions of management*. Thus, management is a set of various functions of management.

In the broad sense of the word *management*, or management, is a process of mapping out, the organisation, motivation and the supervisory control, necessary for a formulation and achievement of an overall aim or enterprise mission.

Secondly, *management* is a scientific discipline or area of scientific knowledge on studying and ordering of problems of practice of management by the organisations on which base laws and principles of the organisation of a guidance system, modern approaches, methods and models of an effective management in the conditions of changing environment are developed. Management as the science arms heads with the system, situational and process approach in management of the organisation.

The *system approach* - is focused on use of the system analysis and organisation consideration as the difficult and dynamical system consisting of set of interrelated and interdependent subsystems (marketing, mapping out, supply, technologies, the finance, management, the personnel, etc.), influencing efficiency of functioning of the organisation as a whole. According to the system approach increase of efficiency of activity of the enterprise is possible only in case of complex re-structuring (perfection) of all subsystems of management.

The *situational approach* - assumes development of decisions on perfection of a guidance system by the organisation depending on change of situational factors internal and environment. It means that a guidance system is formed depending on a current situation in the market and the enterprise.

The *process approach* - means management consideration as process of the actions consistently carried out by managers focused on performance of the functional duties and realisation of the purposes of the organisation.

The management structure as disciplines assumes studying of such areas of administrative activity, as general management, marketing management, industrial management, quality management, financial management, innovative and investment management, risk management, personnel management, ecological, strategic management, etc., providing process of acceptance and realisation of administrative decisions.

Thirdly, *management* - as collective from managers, a special social class which is presented by managers of the large, average and small organisations, making essential impact on development of economy and position of the enterprises in the market. The given sort of activity essentially differs from other sorts of labour activity and demands special preparation.

Theoretical bases of management is a discipline which gives to students system knowledge in the field of the theory and practice of management by the organisations, use of modern approaches, functions and management methods (fig. 1.1).

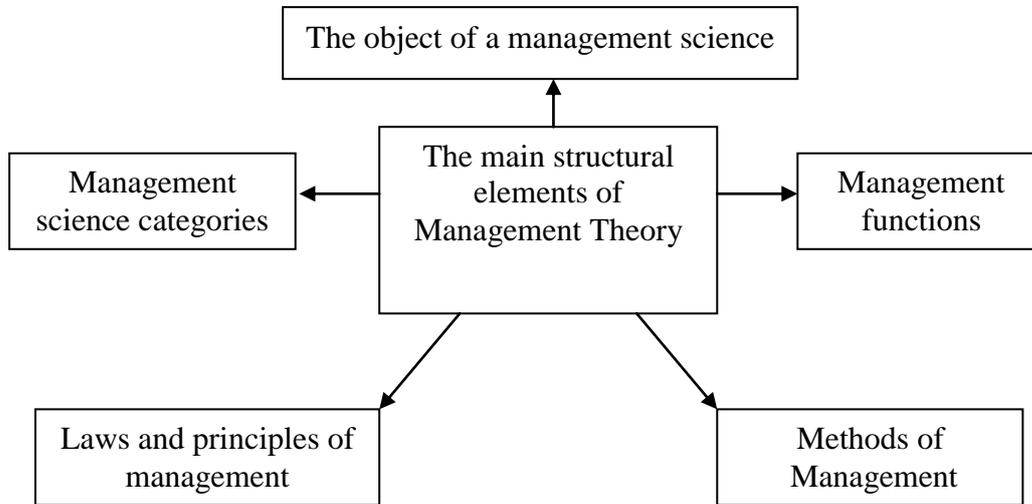


Fig. 1.1. Structural elements of the theory of management

The basic categories of management are concepts of the organisation, the purpose, motives of behaviour of people, the subject and object of management.

The *organisation* is a group of the people which activity is meaningfully co-ordinated for achievement of an overall aim or the purposes.

The *commercial organisation* is the enterprise (firm) which purpose of activity is profit reception.

The *noncommercial organisation* - the organisation which does not set as the purpose profit reception, and a management problem consists in rational use of resources (for example, public organisations, social both welfare funds and etc.).

The *formal organisation* is the structure created after an act of a management which activity is regulated by special documents (the articles of incorporation, the enterprise charter, the certificate on registration for the individual businessman).

The *informal organisation* is spontaneously formed group of people on the basis of general interests, sympathies for the informal leader or the problems divided by its participants.

The *centralised organisation* is the organisation in which the most part of decisions is accepted by the management top echelon. Such organisa-

tion, as a rule, leans against authoritative style of a management, command management methods, hierarchy and the rigid supervisory control.

The *decentralised organisation* is the organisation in which the majority of administrative decisions is accepted by an average and local control link. Management in данной the organisations is based on democratic style of a management, economic and socially-psychological methods of stimulation, self-checking.

The *purpose* is a desirable result of activity of the organisation, achievable within a certain spacing of time. Achievement of the purposes defines success of the organisation.

The *motive* is the reason inducing people to actions, directed on satisfaction of own requirements.

The *motivation* is a process of prompting of people to activity by means of satisfaction of their requirements.

Accordingly, *management* is such management of people at which the organisation purposes are reached through motivation (prompting) of people to the activity allowing them to realise own requirements.

The modern organisation is the difficult system consisting of separate independent, interrelated and interdependent divisions, carrying out industrial, financial, administrative and other functions. It is possible to present the organisation as set of the subject and object of management.

The *subject of management* is the operating subsystem which is carrying out gathering of the information on environment, its analysis and acceptance of administrative decisions, their finishing to object of management and the supervisory control of results of performance (feedback).

The *object of management* is the operated subsystem which is responsible for realisation of administrative decisions, a choice and a substantiation of methods of achievement of the purposes or mission of the organisation, lead up by the subject of management (management).

Mission is a formulation of long-term intentions and reference points of development of the enterprise. Mission defines what we would want to see our enterprise in the future.

Strategy is a concrete comprehensive plan of actions on long-term prospect on achievement of the formulated mission of the enterprise.

The *organizational structure of management* is a set of various divisions of the enterprise located in certain sequence and consolidated by various sorts of communications (linear, functional, vertical, horizontal, formal, informal), the purposes providing achievement.

Management methods are certain principles and rules by which managers are guided at realisation of the direct functions on operation of business, people.

Management functions are concrete sorts of administrative activity (mapping out, the manufacture organisation, management of marketing, the finance, the personnel and etc.).

The *essence of management* (management) is reduced to search of optimum decisions in use of resources of the organisation - the earths, work, the capital, enterprise talent - for achievement of tasks in view. A number of main principles of a choice of an optimum combination of resources can be applied actually to any type of the organisation, irrespective of its sizes and the purposes. Therefore management as the discipline has universal character and the basic attention turns on shared problems of management of the organisation and their decision. Management as a science allows not only to operate in due time and qualitatively the running activity, but also to predict succession of events in the market, to develop strategy of behaviour of the organisation, to adapt enterprise subsystems for new conditions (for example, to conditions of instability of transitive economy).

Management object of research is studying of problems of management shown by practice by the organisations, revealing of laws inherent in management and laws, principles of the organisation of administrative work for the purpose of development of optimum systems (technologies) of management, the offer of more effective management methods people in the various organisations.

The management maintenance reflects the whole complex of the questions studied by discipline covering the basic subsystems of management as a sort of activity and a science. The discipline structure «Theoretical bases of management» includes studying of following problems (the course maintenance):

- 1) essence, organic laws, laws and management principles;
- 2) history of development of the theory of management;
- 3) structure of management of the organisation, its types and sorts, an estimation of efficiency and perfection;
- 4) functions and management methods;
- 5) acceptance of administrative decisions;
- 6) the information and communications in management system;
- 7) styles of a management;
- 8) ethics of management and organizational culture.

1.2. Necessity of organization management and features of administrative activity

Now the organisation is considered as the difficult social and economic gear for which certain dynamics, structure and orderliness of internal elements, скоординированность personnel actions is characteristic.

In the economic plan it is possible to present the organisation as set of three basic making elements: *objects of the labour* (raw materials, materials, the information), *means of labour* (technologies, cars, the equipment, computers, communication facilities) and the *personnel*.

Necessary condition of functioning of the given system is proportionality observance in a combination of the specified elements that is reached by means of a guidance system. Thereupon management acts as objectively necessary process and a condition of successful functioning of the organisation.

The modern management science carries management to the same important factors influencing production efficiency, as means of production, the capital and securities, the personnel, information resources as without well debugged guidance system purposeful development of the subject of managing in the conditions of a rigid competition in the market is impossible.

Necessity for management arises in all cases of use of collective work. When some persons (businessmen) are consolidated for achievement of any one purpose, someone from them should incur function of a management and co-ordination of activity of others. Only in this case it is possible to expect successful realisation of an overall aim. Thus in larger organisations absence of such co-ordinating authority, as a rule, leads to chaotic actions of separate workers and does impossible success achievement. Therefore today effective system of management - a basis of competitiveness of modern business models of the organisations.

At initial stages of development of the organisations administrative activity was combined with the basic industrial activity. It can be tracked now under the maintenance of work of proprietors in small business sphere. For example, in the private unitary enterprise, the small organisation rendering transport services, the proprietor (it the director) can independently be engaged in transportations of weights on one of vehicles and simultaneously operates several drivers on hiring. In parallel the head should solve other problems connected with search of clients, mapping out, financing of the business, motivation and to the supervisory control of the subordinated workers, i.e. to realise administrative functions. It is clear that such combi-

nation of industrial and administrative work can be effective at small amount of works and quantity of subordinates. As soon as this volume will exceed an optimum level, such head cannot carry out all functions in a due measure that will lead to decrease in efficiency of work. In the present state of affairs the head will be compelled to refuse performance of industrial activity and to concentrate only on management, i.e. should specialise for increase of efficiency of the work.

Moreover, at the further growth of the organisation the additional workers professionally realising separate functions of management (mapping out, financing, marketing, human resource management and etc.) be required to the head. Thus, division of labour on industrial and administrative - is *result of specialisation*.

Constant changes in an external environment of the organisation (behaviour of consumers, competitors, management state structures) and necessity of professional management allocate management not only in an independent sort of labour activity, but also demand special preparation of managers.

Here it is necessary to explain an essence of distinctions in such concepts, as "manager", "head", "businessman", "businessman". The *manager* is the professional managing director having vocational education in sphere of management and using modern administrative technologies at management by the organisation (division). The *head* is the person, holding an administrative post and carrying out process of a management by people in the organisation. The *businessman* is an owner of new idea, technology (innovation), a know-how whom it at own risk realises within the limits of again created enterprise organisation (the brave enterprise) for the purpose of profit reception. The *businessman* is a proprietor of the capital movable or real estate which it transfers in using (for example, to the businessman, the manager) or independently exercises administration of it for the purpose of profit reception (in the second case he is the businessman and the manager).

As show researches, specialisation of administrative workers provides growth of productivity of administrative work and, as consequence, guides to the further expansion of the organisations, complication of managerial process and necessity of performance of new functions (strategy formation, advancement, public relations, logistics, etc.) . As a whole, it became the reason of constant specific growth of number of the administrative personnel in relation to an aggregate number working on the enterprises. For example, in 1889 on 100 persons occupied 6 employees, and in 90th XX century - already about 60 administrative workers were necessary. The reason

of it is that mechanisation and automation of administrative work, unlike industrial, does not liberate workers from management sphere, and only promotes improvement of quality and efficiency of acceptance of administrative decisions. At manufacture growth there is a necessity of the organisation of new additional divisions for the organisation (service of forecasting, strategic mapping out, logistics and etc.).

Remaining a part of industrial work, administrative work possesses certain specificity.

First, administrative work is mainly the brainwork demanding certain professional knowledge, creative abilities, intuitions of the head, leadership. Industrial work - mainly physical, often not demanding preliminary serious special preparation.

Secondly, essential signs of difference of administrative and industrial work can be tracked under such characteristics, as objects of the labour, means of labour and result of work. *A subject of administrative work* is the separate person, labour collective or the information (at industrial work is raw materials, materials, a semimanufactured goods). *Means of administrative work* are organizational and computer facilities, information transmission media, administrative technologies and management methods (at industrial work are cars and the equipment which is used by the worker for processing of raw materials and production manufacturing). *Result of administrative work* - administrative decisions.

Thirdly, industrial and administrative work is consolidated *by a uniform ultimate goal* - manufacture of a product for the purpose of profit reception. However specific goals at them different. A specific goal of industrial work is manufacture of a product, administrative work - co-ordination of activity of all workers and maintenance with their necessary resources, the supervisory control and compensation by results of work.

One of important features of administrative activity is the hierarchy, the essence and which sorts are considered more low.

1.3. The separation of administrative work. Levels of management

Administrative activity is characterised by presence of hierarchical system (management levels) that is traced in traditionally used sorts of organizational structures of management by the modern enterprises. The hierarchy is based on specialisation and rationing of administrative work.

One manager can effectively supervise over restrained number of subordinates. At increase in scales of activity of the organisation and growth of number of the personnel it leads to formation of new levels of the management which quantity also should be optimum.

The *hierarchy* is understood as clear split of the power, the rights and responsibility between heads of various levels of management. *Management level* is a set of divisions or heads with approximately similar functional rights and duties (for example, heads of financial department, service of marketing, economical department and etc.).

In modern management allocate horizontal, functional and vertical division of labour (fig. 1.2).

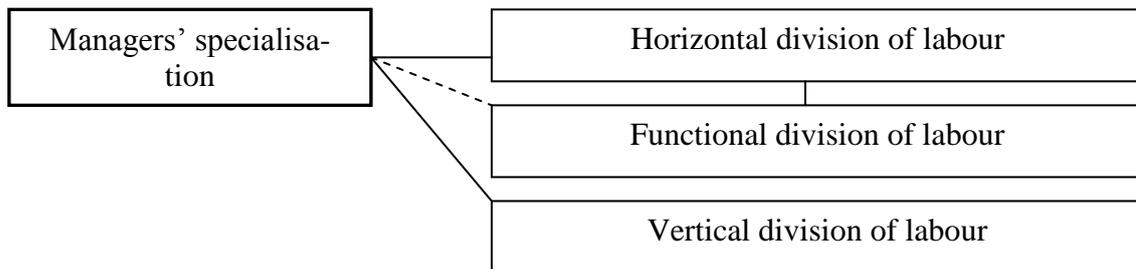


Fig. 1.2. Sorts of parting of administrative work

Horizontal division of labour is understood as parting of all administrative work into making components, processes or the problems which are carried out by highly specialised workers. Classical examples of horizontal division of labour at the enterprise are a management of the basic, auxiliary and serving manufactures.

Functional division of labour is a version horizontal and represents specialisation of workers in sorts of administrative activity, i.e. management functions (experts in mapping out, the finance, foreign trade activities, logistics, an analyst, the bookkeeper, the economist and etc.).

Vertical division of labour represents parting (specialisation) of administrative work on levels of management (hierarchies). As is shown in fig. 1.3, in the modern organisations classically allocate three basic levels of management: heads of the higher, average and local link.

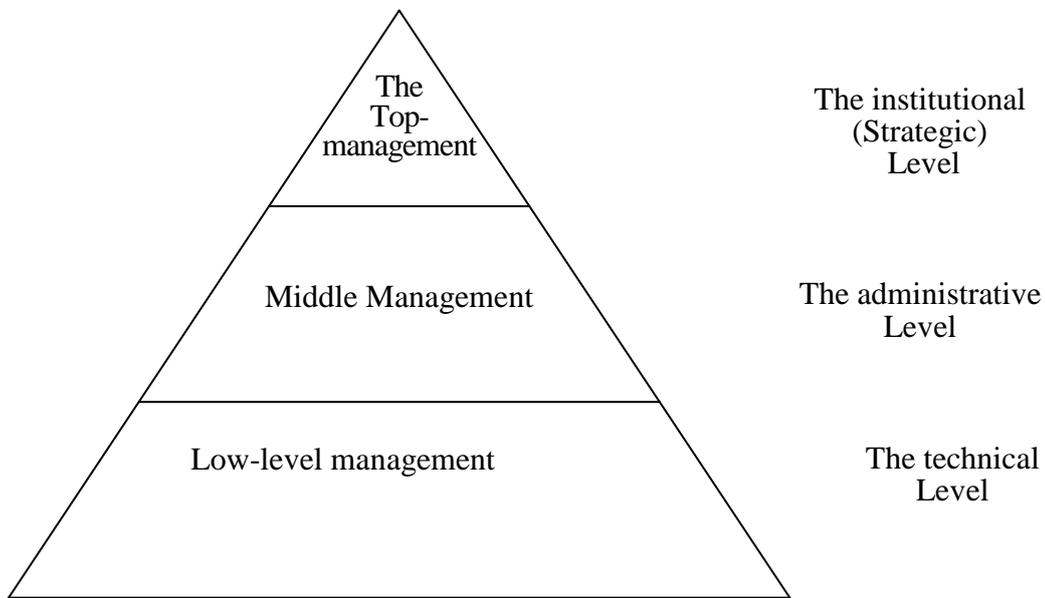


Fig. 1.3. Management level of the organisation

Heads of the top echelon of management (Board of directors, the general director, deputy directors) develop the purposes, a policy and strategy of development of the organisation, bear responsibility for results of its activity before proprietors or higher departments (at their presence), the budget and other managing subjects.

Managers of middle level Management (heads and experts of functional departments, chiefs of shops) carry out the analysis of environment and the running activity of the organisation, develop business plans according to the accepted strategy, prove recommendations about perfection of industrial and administrative technologies and give to their top management for final decision acceptance.

Heads of technical (low-) level of management (the master, foremen and other experts) provide execution of the business plans which are lead up by higher level, develop own operating plans of activity своих divisions, carry out gathering and the analysis of the primary information on a manufacture condition, develop offers on perfection of industrial technologies and technics.

The hierarchy in a guidance system is considered the effective gear of the supervisory control but as means of distribution of resources it is imperfect. In the conditions of fast change of an external environment of the organisation, a rigid competition flexibility of management and operative decision-making is required. Under these circumstances the hierarchy slows down processes of communications and information interchange, reduces initiative of the personnel in connection with necessity of observance of a certain subordination between heads.

For example, if the employee has offered new mode of work for its introduction in production it is necessary for it to take place a long way. At first it is necessary to meet with approval of the immediate superior which co-ordinates further the offer with the higher head in hierarchy and so on a chain the decision should reach the director of the enterprise accepting the final decision. On each of these stages of any of heads can consider that the innovation is not actual or does not correspond to long-term interests of the company therefore it will not be realised. After the next unsuccessful attempt the employee himself will lose interest further something to offer, understanding what to change system it not in forces.

Thus, the hierarchy in certain degree suppresses initiative of the personnel, and some modern organisations refuse it, creating organizational structures of a new type (adaptive), guided by participation of workers in management of the organisation, straight contacts to the top management (passing management levels), system of material stimulus for employees and the heads introducing innovations without whom the organisation sustainable development is impossible.

1.4. The major laws, regularities and management principles

In management the law is understood as relations which differ relative stability, objectivity, repeatability under certain conditions the external and internal environment. Law is a private display of this or that law. Management organic laws are reflected on fig. 1.4.

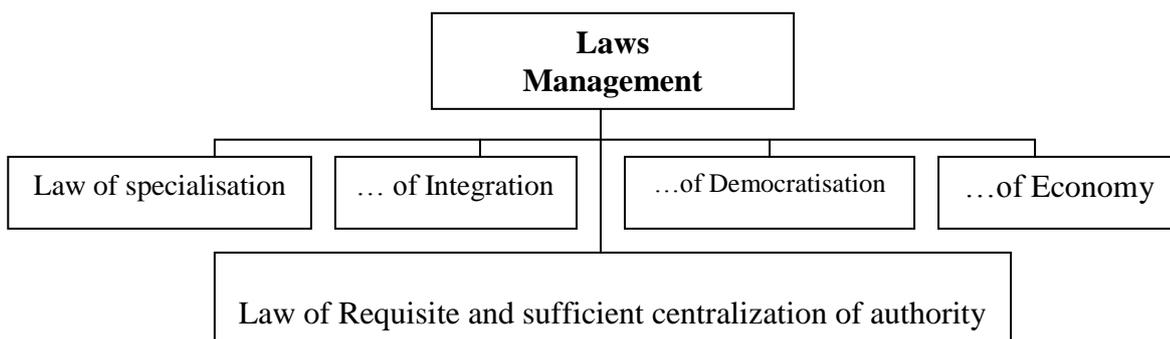


Fig. 1.4. Grading of organic laws of management

The *law of specialisation* is a consequence of growth of scales of activity of the organisations and is caused by a various functional role of administrative workers. The law essence consists in the following: at formation of an effective guidance system certain areas of the administrative activity demanding specific knowledge and abilities, are grouped in separate functions of management and fixed to separate heads of structural divisions of the organisation. As a result of process of division of labour in the organisations and uses of highly specialised workers quality of administrative decisions raises.

Specialisation is carried out in dependence:

- ✓ From management functions (mapping out, the organisation, motivation, the supervisory control, co-ordination);
- ✓ Means of labour (information, means of processing of the information, research and statistical methods of the analysis, etc.);
- ✓ Labour inputs of operations (the heads subordinated);
- ✓ Various powers (the higher, average and local link).

As a result of specialisation modern management includes: management of a company policy, general questions, manufacture, operations, purchases, the finance, marketing and sale, shots, training, research and development, etc.

The *law of integration of management*. It is the return law of specialisation. Management integration is understood as association of the isolated, purpose-built actions of the personnel and firm divisions in uniform process of functioning of the organisation. The integration gear is necessary what to provide purposeful development of separate subsystems of management (marketing, manufacture, the finance, shots and etc.) according to overall aims or organisation mission.

The basic making elements of the gear of integration of system of management are:

- ✓ Overall aims of activity of the organisation;
- ✓ Organizational structure of management;
- ✓ System of co-ordination of work of structural divisions;
- ✓ Information support and means of communications;
- ✓ Organizational culture and corporate ethics.

The *law of necessary and sufficient centralisation* - assumes a correct choice of degree of centralisation of the power depending on features and organisation operating conditions (pattern of ownership, qualification and responsibility of the personnel, system of motivation, etc.).

Centralisation is a concentration of the power (powers of the head) at the management highest levels. Advantages of centralisation: supervisory

control strengthening, integrity, an order, use of knowledge of central office of management. Centralisation lacks: бюрократизация managerial processes, low adaptability to market changes, the weak initiative from below, slow career growth of young employees.

Decentralisation is a delegation (distribution) of powers on subordinate levels of management, i.e. granting большей independence to heads of average and local links. Advantages of decentralisation: acceptance of administrative decisions by executors (employees), stimulation of the initiative of workers, an estimation of heads on the end results, advancement of productive young experts. Lacks: controllability loss, possibility of not coordinated actions of divisions, race for power and influence in the organisation.

Centralisation degree is defined on a parity of quantity of the administrative decisions accepted by the top echelon of management, to quantity of decisions at subordinate levels. In the modern organisations decisions by definition of the purposes, a policy and strategy of development of the organisation are in most cases centralised. The running decisions, as a rule, are decentralised.

The *law of democratisation of management* consists in participation of workers in management of the organisation by means of transfer of the property by it (actions, other securities), decentralisation, innovations in technologies of management and management organizational structures.

The *law of economy of time and resources*. In modern deflationary economy decrease in costs and reduction of time for realisation of innovations, acceleration of decision-making processes is the most important factors of competitiveness of the organisation. Value of time defines all aspects of activity of the company (speed of manufacture, a capital turn, reaction to changes, etc.) raising or reducing its efficiency of functioning in the market, forming reputation of firm in the opinion of consumers and a position in a competition (the leader following the leader, weak business).

Management principles are accurately certain rules by which managers are guided at performance of the direct duties on management of the organisation.

In the modern theory of management allocate following groups of principles of management:

✓ *General and structurally functional principles of management* which define an order of creation, conditions and possibilities of effective functioning of the enterprise in the conditions of market economy (principles strategic and business mapping out, the scientific organisation of work, decentralisation, profitableness, a computerisation, innovative develop-

ment, structural reorganisation, etc.). Special value now gets use of non-standard forms of incentive, innovative activity. As such forms creation of purpose-built design commands, groups of independent technical experts, the organisations of microdepartments of risky initiatives (the venture enterprises) is used. It allows to carry out in due time reorganisation of manufacture and management system. By some estimations in modern conditions structural reorganisation of firm should occur each 2-3 years [26];

✓ *Principles of management of people* who form favorable mutual relations in collective and positively influence the end results of activity of the personnel. Main principles of management of collective are: partnership in relations the head - the subordinate, delegation (transfer) of powers, refusal of heads of privileges, use of system of encouragements, maintenance of a good microclimate and formation of corporate culture;

✓ *Principles of formation of the person of the manager.* The person of the manager-head is formed as a result of special preparation, and also self-preparation and self-education.

Principles of management of the organisation have been proved by the classical theory of management in F.Taylor, G.Gannta, G.Ford, A.Fajolja, G.Emerson, M.Vebera's researches, and also A.A.Bogdanova, A.K.Gasteva, L. V.Kantorovich, V.G.Afanaseva's some domestic scientists, etc. Results of these researches are more detailed presented in the following theme devoted to development of management.

Modern principles of management are focused by the organisation on constant perfection of system of management, increase of efficiency and competitiveness of the organisation in the conditions of market relations at the expense of increase of productivity and quality of administrative work, expansion of knowledge of the manager.

1.5. Interconnection of management with other disciplines

The management theory is a multidisciplinary science which is based on scientific knowledge of various special disciplines (fig. 1.5).

The theoretical base of management is made *by economic disciplines* which are engaged in studying of economic relations concerning manufacture, distribution, a swap and consumption of material benefits. Forms and management methods manufacture, means of achievement of the purposes of the organisation develop under the influence of economy and should consider actions of economic laws (laws of the supply and demand, de-

creasing limiting utility, costs, the theory of costs, behaviour of consumers, the analysis of a point of break-even).

Management uses these laws as the basic regulators of relations of production (the salary, the prices, the credit, taxes and etc.). At management of economic relations management independently considers along with the objective party of economic laws, their subjective party, i.e. action of the human factor on economic processes.

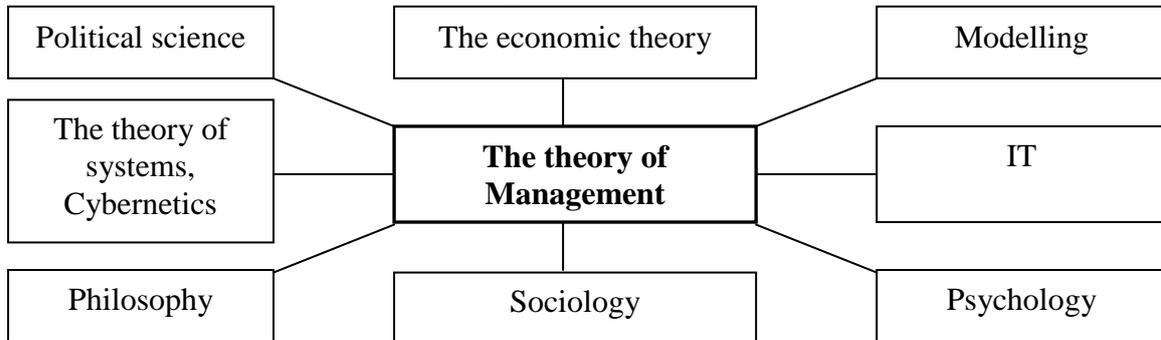


Fig. 1.5. Interconnection of management with other disciplines

For example, in the activity of the organisation use two basic approaches in pricing: market and затратный. At a market method the price is formed under the influence of supply and demand (the top threshold of the price). On затратному to a method the price pays off according to the cost law as the sum of cumulative costs of the manufacturer of the goods taking into account its standard profit on enterprise development (the bottom threshold of the price providing profitable work). The difference between maximum (the demand price) and floor price (the offer price) is used by managers in management at a choice of strategy of pricing. Strategy of the high prices is focused on reception of the maximum short-term profit, and strategy of the low prices - reception of the maximum long-term profitability and stability of development of the organisation.

The basic economic laws and corresponding economic disciplines are used in management at a substantiation and an estimation of efficiency of administrative decisions. For example, the model of calculation of a point of break-even allows to prove a minimum dimension of sales (in physical units), providing an economic return on manufacture of a product or service rendering that allows to define expediency of manufacture of a new product or creation of the new enterprise.

Any organisation cannot function in the market irrespective of state bodies of the country. At foreign trade activities realisation observance of the legislation of other countries is required. At administrative decisions

always there are political relations. In it communication of management science with such discipline, as *political science* is shown. At the organisation of a guidance system managers should consider certain political interests, features of sociopolitical systems, to expect their development and correctly to form strategy of development of the organisation.

Management inseparably linked with such discipline, as *jurisprudence*. The labour and economic right is regulated by mutual relations between a management and other workers of the organisation, define legal limits of action of the administrative certificates accepted in managerial process.

In the management theory the special role belongs to *general and social psychology, management and sociology psychology*. On knowledge concerning psychology of behaviour of people in the course of manufacture, collective work motivation theories, styles of a management, organizational structures are based. Management of relations in collective demands knowledge of laws and possibilities of functioning and development of social groups.

Management leans also against the *philosophical sciences* opening general laws of development of the nature, a society, thinking on which base own methodology of research of problems of administrative activity is developed, the organisation purposes, philosophy of the company and etc. are established

At the heart of management science methodology the *general theory of systems* which arms management by effective enough system approach lies. The system analysis allows to consider and study administrative activity as difficult system of the interrelated and interdependent elements, and also to find optimum decisions on management of separate elements of system.

Cybernetics - a science which studies general laws in the administrative systems inherent in live organisms, to people, cars. Revealing general between various systems, the cybernetics offers the effective ways of management used by management.

The management theory also is connected with such fields of knowledge, as modelling, linear programming, the information theory. Principal views of the models used in management, experiment, sham and optimising models act.

At *sham model* the behaviour of object of research is modelled and influence of situational factors and decisions is studied.

Optimising models of linear or dynamic programming are directed on search of the optimum decision in use of resources of the organisation at the

expense of a substantiation of the criterion function directed on achievement of a definite purpose (maximisation of profitableness, utility, benefit, minimisation of costs and etc.), at the set restrictions.

The *theory of information technology* gives to managers of knowledge in the field of effective ways of the analysis, transformation, use, transfer and storage of the administrative information.

The management theory also is interrelated to many other fields of knowledge as, for example, management of the organisation, ecological management, enterprise economy, intrafirm mapping out, management of innovations and investment activity, foreign trade activities, management of marketing, advertising activity, management of intellectual property, the economic right and etc. which are independent disciplines and demand separate studying.

As a whole the acquired knowledge on the above-stated disciplines arms managers with necessary toolkit for working out of economically well-founded administrative decisions and formation of the effective gear of their realisation, allowing to reach the purposes or mission of the organisation with the least costs and in the shortest terms. These factors also define maintenance of high competitiveness of modern business and quality of management. Therefore expansion of knowledge of the manager and use of innovative methods of work is pledge of its successful career and organisation prosperity that is reached at the expense of persistent work, regular training and self-education.

2. HISTORY OF DEVELOPMENT OF THE THEORY OF MANAGEMENT

2.1. Preconditions and stages of development of management

Management as an activity sort develops with the advent of the first organisations mentions about which are dated several millenia BC In ancient centuries management mainly priests, priests as the religious organisations long time played a key role in society life were engaged.

The first stage *of religious management* covers the period since ancient times up to industrial revolution of XVIII century by the Turning-point in management development there was a transition from an appropriating economy (hunting, gathering of berries, fruits and etc.) to making economy when there were the first organisations which are carrying out manufacture of products (9-7 thousand years BC). The government Wide experience is saved up in Ancient Egypt. From ancient philosophers Socrat (470-399 BC) the first has defined management as a special field of activity. Platon (428-348 BC) has offered grading of forms of the government. To this period there is a process of accumulation of knowledge in the field of management.

The second stage of development *of industrial management* is connected with industrial revolution XVIII-XIX centuries During this period there were large organisations in sphere of industrial production, banking, exchange trade, cooperation, agriculture. The special contribution to development of the theory of the government was made by A.Smith who has analysed various forms of division of labour and has proved possibilities of growth of productivity. Valuable enough to the further scientific researches there were R.Owen's ideas concerning a humanisation of production management, necessity of training, improvement of a work environment and a life of workers which influence management efficiency.

The third stage of formation *of system management* is based on carrying out of scientific researches on management problems (the end of XIX century - first half XX century). During this period scientific management arises, there are new directions of researches (scientific and administrative schools of management, school of human relations, behavioural sciences, empirical management) which systematised available experience of man-

agement, have proved principles and methods of an effective management, have allocated management in an independent sort of labour activity.

The fourth stage of development of *information management* (second half XX century on the present) is connected with integration of the mathematical analysis and the computer technics into practice of acceptance of administrative decisions. During this period the modern school of management which investigates behaviour of the organisation as an opening system in interrelation with an external environment [17] is formed.

2.2. School of scientific management

Bases for management science formation are created in the end of XIX century - beginning XX century in reply to requirements of industrial development, mass production and large-scale sale, orientation to the high-capacity markets and formations of large corporations. The appeared large enterprises tested a severe need in the rational organisation of manufacture and work, in accurate and interrelated work of all divisions and services, managers and executors according to scientifically well-founded principles.

Technological progress and mechanical production demanded standardization and unification of all production operated till that time by means of handicraft, "antiquated" methods. The further growth of production efficiency became impossible without its all-round rationalisation, economy of time.

The first scientific work devoted to this problem, belongs to *F.Taylor* who has published the book «Principles of scientific management» in 1911. This work has made a basis of the concept and school of scientific management.

Taylor unlike other researchers creating administrative theories, was the expert-expert who has passed all levels of hierarchies (management) from the simple worker to the chief engineer of the large steelmaking company. Therefore the scientific principles developed by it concern perfection of shop, industrial management.

Taylor's campaigns is based on mechanistic understanding of the person, its place in the organisation and essence of its activity. Taylor put before itself a problem of increase of labour productivity and saw its decision in rationalisation of labour operations on the basis of scientific methods of performance by worker of the activity. The initial beginning for rationalisation of work Taylor had a studying of a problem for the purpose of reception of the information for rational selection of operations for the decision

or performance of the given problem. For this purpose Taylor spent timing of labour operations (time gauging), carried out by workers and by results of researches has developed a complex corrected more productive work. It has divided all labour operations into a considerable quantity of small movements, each of which investigated about expediency, rationality, compared to methods of work of the best workers and by results of the analysis has defined a rational mode of performance of industrial operations, eliminating all irrational movements.

The quantity of time allocated for performance of certain tasks, was real and considered possibility of small leisure time activities and breaks in work. It has allowed a management to establish performance standards which were выполнимы, and to pay in addition in that who has exceeded fixed size standards.

For example, Taylor's researches have shown that for decrease in fatigue of workers at a coal overload optimum loading on a spade should make 8,6 kg. As a result, labour productivity of workers has increased with 16 to 59 т coal in day. The salary has thus increased in 1,5 times. The number of loaders on a classification yard has been reduced subsequently with 500 to 150 persons, the economy has made 80 thousand dale. In a year.

According to F.Taylor's system to each worker at the enterprise the instructive card-normal where the full information concerning performed work (a processed material, size standard of the expense, the car, time necessary for output, standard rules of performance was specified) protruded. Cards-normals protruded worker daily before the beginning of a shift and were two colours signalling about performance or default of performance standard for the previous change.

Taylor has defined that as the manager selection, training and arrangement of workers on workplaces where they can bring the greatest advantage of the organisation, an establishment for them tasks, distribution of material resources, maintenance of their rational expenditure, motivation of high efficiency of executors, the timely supervisory control of their actions according to cards-normals should enter. From the point of view of today these offers mean necessity of the organisation of system of operational planning and the supervisory control at the enterprise.

One of Taylor's important conclusions consists that low labour productivity on manufacture is connected with imperfect system of stimulation of workers. He has developed system of material stimulus for the decision of this problem. In its opinion, compensation granting represents that principle which should be seized to all who wishes to operate the person effectively. Taylor suggested to use progressive system of payment for

maintenance at working constant expectation of an award. Thus as an award it considered not only monetary compensation, but also certain concessions to workers from businessmen. Well-being of businessmen as he marked, is impossible without well-being of workers. The rationalisation leading to growth of profit, will be accepted by workers only under condition of growth of their own earnings. Therefore use of such innovations, as the organisation of baths, table, reading rooms, an evening school, kindergartens and etc. In his opinion, is valuable means for creation of more skilful and intellectual workers.

Taylor has accurately defined work of the worker as performing, and as the master (manager) for the first time has included working out of scientific methods of performance of each operation, selection and placement of personnel, scheduling of performance of work for each worker.

Taylor has offered for the first time new organizational structure of management (fig. 2.1). Instead of traditionally accepted linear structure of management he recommended to use functional structure when instead of one head knowing set of functions of management and consequently expensive, more low-cost workers specialising on performance of separate functions of management (mapping out, the manufacture organisation, maintenance service, the supervisory control and etc. were involved).

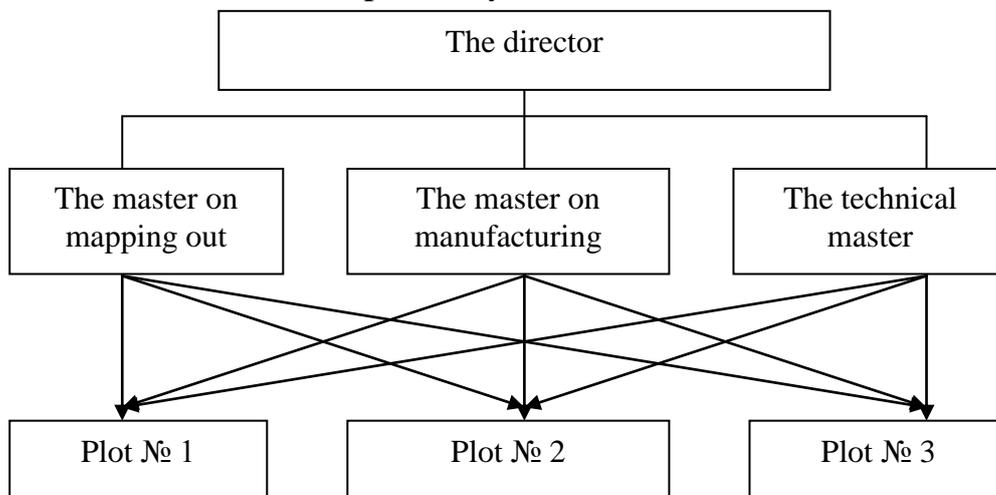


Fig. 2.1. Functional structure of management of shop

Taylor considered that the functional organisation is more low-cost and effective as allows to use qualification of various experts for acceptance of professional administrative decisions. Within the limits of system тейлоризма it is offered to apply all scale of economic, psychological and organizational management methods. One of its merits is introduction

of such sort of activity, as scientific consultation concerning management, a recognition of management as independent sphere and a sort of activity, independent scientific knowledge. Except the book «Principles of scientific management» F.Taylor publishes work "Operation of business" (1903).

The considerable contribution to the theory of scientific management was brought by *Frenk* and *Lilian Gilbrets* who were adherents and continuers of ideas тейлоризма in 20th of last century. Гилбреты have invented a microchronometer and for the first time used a movie camera for research of movements of workers. It has allowed them to develop original "technological" cards of a cycle of micromovements simultaneously carried out by the worker.

At the expense of optimisation of ways of performance of work and elimination of all superfluous movements of F.Gilbretom more exact working performance standards in building have been established. Besides, it also had been improved work site arrangement methods, rational ways of feed of a material are offered, special purpose tools and adaptations for work performance that has considerably raised labour productivity of the worker are entered.

One of F.Gilbret's basic achievements was the organisation of the first in the USA (Providen) special school on regular preparation of instructors of the scientific organisation of work.

Concentration and capital monopolisation in beginning XX have led century to a concentration at the large and small enterprises of workers of various specialities that has caused of development of personnel management. L.Gilbret of the first has started to prosecute subjects of scientific personnel administration, their selection, arrangement and preparation. In 1915 it became the first woman of the USA who have received scientific degree of the doctor of psychology that has allowed it to be engaged in researches in the field of scientific human resource management.

F.Gilbret's basic works are stated in books «Alphabet of the scientific organisation of work», «Studying of movements».

One of Taylor's visible pupils is *G.Gannt* (1861-1919). He was engaged in research of productions as a whole, instead of separate operations and movements. According to G.Ganntu, the basic distinctions between the best today's and former guidance systems consist in ways of mapping out and distribution of problems, and also ways of distributions of encouragements for their performance.

Gannt is the pioneer in the field of an operational administration and scheduling of activity of the enterprises. He has developed the whole system of planned schedules (schedules of Gannt) which thanking their high

knowledge have allowed to carry out the operative supervisory control of performance of mapped out indicators and to make planned schedules on the future (fig. 2.2).

| Sorts of operations | 01.02. | 02.02. | 03.02 | 04.02 | 05.02 | 06.02 |
|----------------------------------|--------|--------|-------|-------|-------|-------|
| 1. Workplace preparation | | | | | | |
| 2. Adjusting | | | | | | |
| 3. Product manufacture A, a unit | | | 120 | 120 | | |
| 4. Equipment readjustment | | | | | | |
| 5. Product manufacture B, a unit | | | | | | 130 |

Fig. 2.2. The schedule of mapping out of production

It is necessary to carry its system of a salary to number of organizational inventions of Gannta with elements of time and price-work forms of payment. Such system of a salary sharply raised interest of workers in performance and a performance standard overfulfillment. At default of mapped out performance standard it was offered to pay work for the hour rate, at an overfulfillment - under quotations for volume of made production.

G.Gannt considered that the problem of the human factor is one of the major problems of management. He stated belief that possibility to find in the work not only an existence source, but also a satisfaction condition through "democracy" formation on manufacture and a management science humanisation in the future should be given the worker.

Henry Ford I (1863-1947) founder of the American automotive industry, was also one of founders of "practice philosophy» XX century It has developed the theory which has received the name «фордизм», stated in its books «My life, my achievements» and «Today and tomorrow».

Theory substantive provisions фoрдизма:

✓ Highly to pay work of each worker and to supervise, that it worked all 48 ч. In a week, but it is no more;

✓ To provide the best condition of all cars, to insist on their absolute cleanliness, to accustom people (workers) to respect surrounding and itself.

As Ford specified, one of the industry purposes is not only to supply consumers with production, but also to create them. On its belief if workers do not begin to earn well cannot be active consumers of the goods owing to what there will be no that middle class on which social stability dynamical development of national economy depends.

It is considered one of G.Ford's basic achievements a practical embodiment of idea of mass production and the conveyor invention. Using system of the scientific organisation of work of Taylor, Ford has as much as possible divided production into the elementary operations which could carry out неквалифицированные. Conveyor introduction promoted that now masters did not need to adjust workers at performance of labour operations, they independently adapted for speed of movement of the conveyor.

However high enough intensity and psychological loading at work on the conveyor led to that workers long did not maintain. As a result at Ford's enterprises high turnover of staff was observed. For the decision of the given problem the sociological service as a part of 60 persons which result of researches was [28] for the first time has been created:

- ✓ establishment of the 8-sentry of the working day (on the average at other enterprises was 10-12-часовой the working day);
- ✓ Introduction of the minimum salary by the worker which rates were in 2 times above in comparison with the standard size standards;
- ✓ Opening of unusual schools with the grants intended for training of assiduous and talented workers;
- ✓ Studying and improvement of a work environment, a life and leisure of workers (a bath, table, athletic fields, kindergartens and etc.).

Summing up school of scientific management it is possible to formulate following main principles of management:

1. Use of the scientific analysis for definition of optimum ways of performance of a problem.
2. Selection of the workers most suitable to performance of certain problems, and their training.
3. Maintenance of workers with necessary resources for effective performance of tasks in view.
4. Regular and correct use of material stimulation for labour productivity increase.
5. Allocation of mapping out and management in separate process.
6. The statement of management as an independent sort of activity, a science. Formation of functions of management. Use of these principles in management practice has shown an essential gain of labour productivity and management efficiency the organisations.

2.3. Administrative school of management

Authors of the scientific approach in management devoted the works to the decision of problems of the organisation of manufacture, increase of efficiency of shop management. At the same time representatives of administrative school have focused the attention to questions of construction of more perfect guidance system of the organisation as a whole. Representatives of scientific and administrative management consolidate in a uniform direction of researches - school of classical management which has generated scientific base for the further development of a science about management of the organisation.

Founders of school of administration had a first-hand experience of work as heads of the top echelon of management in large business that has allowed them to develop principles of the rational organisation of a guidance system which are actual and on the present.

The new direction in the classical theory of management was based by *A.Fajol* (1841-1925) who within 30 years supervised over the large French company on coal mining. It has accepted a management in 1888 when the firm was on the verge of bankruptcy, and has left - in 1918 prospering and taking leading positions in the world.

On the basis of A.Fajol's experience has developed the *theory of administration* which is based on following positions:

- ✓ Application of universal principles of management should lead the organisation to success;
- ✓ Rational distribution of time to performance of functions of management according to activity principal views;
- ✓ Working out of new structure of management by the organisation;
- ✓ Definition of an optimum parity of organising (administrative), technical and social skills of heads of different levels and perfection of educational programs.

Investigating laws of functioning of the organisation, A.Fajol has formulated the well-known 14 principles of administration managerial control:

1. *Division of labour*. The purpose of division of labour - to increase volume and quality of manufacture at an expense of the same efforts at the expense of reduction of number of the purposes (problems) on which the attention and effort of the worker should be directed.

2. *The power and responsibility*. The power - the right to give the order, and responsibility is its making contrast. Where the power is given - there there is a responsibility.

3. *Discipline*. Assumes obedience and respect for the reached agreements between firm and its workers. The discipline condition entirely depends on its heads.

4. *Unity распорядительства*. The worker should receive orders only from one immediate superior.

5. *Unity of a direction*. Each group operating within the limits of one purpose, it is necessary to consolidate a coherent plan and the head.

6. *Submission of private interests by the general*. Interests of employees should not become above interests of the enterprise.

7. *Personnel compensation*. Workers should receive a fair salary for the service.

8. *Centralisation*. Corresponding degree of centralisation (decentralisation) should be defined depending on concrete operating conditions of the organisation.

9. The *hierarchy* is a number of supervising posts, beginning from the highest level to the head of a local link. The quantity of levels of hierarchies should be optimum.

10. The *order* is a principle which means necessity of observance of certain rules. Each thing or the person in the organisation should be on the place.

11. *Justice* is a combination of kindness and the justice of the head forming good relations between managers and subordinated workers.

12. *Stability of a workplace for the personnel*. High turnover of staff reduces efficiency of the organisation.

13. The *initiative*. It is necessary to use and stimulate offers of workers on improvement of affairs of the organisation.

14. *Corporate spirit*. The union is a force, and it grows out of harmony of the personnel. Maintenance of uniform corporate spirit rallies collective and promotes high achievements.

All complex of works on A.Fajol's management has divided into six sorts of activity (management functions) and has defined the optimum time necessary for their performance.

Among the basic functions of management are allocated:

✓ *Administrative activity* - mapping out, the organisation, a management, co-ordination (occupies 40 % of time of the head spent for management);

✓ *Commercial activity* - purchase, sale, a swap of the goods (15 %);

✓ *Tehnichsko-industrial activity* - manufacture, refinishing, ap-
probation, the supervisory control (10 %).

- ✓ *Financial activity* - realisation of the financial supervisory control on most effective utilisation of the capital (10 %).
- ✓ *occupational safety* and maintenance of safe conditions for work of employees (10 %);
- ✓ *Telltale activity* - activity under the account and the analysis of affairs on manufacture (15 %).

A.Fajolem has been offered linearly-staff (linearly-functional) structure of management which and is widely used today (fig. 2.3). He considered inexpedient presence at functional workers of the administrative rights of decision-making that leads to dualism распорядительства.

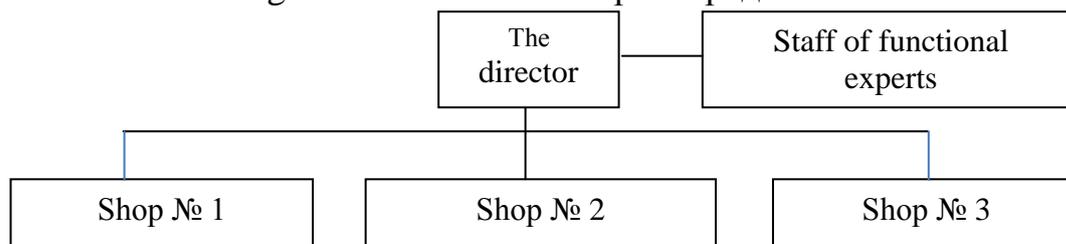


Fig. 2.3. Linearly-staff structure of management on Fajolju

Fajol' compared the large enterprises to construction of the military organisations and has come to a conclusion that the management personnel should be system hierarchical. The factory manager, in its opinion, actually carries out a role of the general. Its mates (experts) form a staff, being advisers of the director for various questions, expanding its possibilities and providing operative decision-making. Other employees and the workers distributed on services and shops, exist for performance of orders of linear heads (the director, the foreman).

Besides, A.Fajol has calculated that at various levels of management various requirements to knowledge and skills of the worker on carried out functions (tab. 2.1) are characteristic.

| Management level | The Administratorsky | The technical | The social |
|------------------------------|----------------------|---------------|------------|
| 1. The director | 40 | 15 | 45 |
| 2. The deputy director | 35 | 30 | 35 |
| 3. Managing partitioning off | 30 | 30 | 40 |
| 4. The foreman, workshops | 25 | 45 | 30 |
| 5. The master | 15 | 80 | 5 |
| 6. The worker | 5 | 85 | 10 |

Table 2.1

A.Fajol's special attention gave mapping out and forecasting functions. It has drawn for the first time a conclusion on necessity of short-term and long-term mapping out for each organisation [28].

A.Fajol's considerable attention gave persons of the manager (head) on which overall performance of the organisation depends. In its opinion, the manager should possess intellectual and organising abilities, good formation, high competence of the area, art of the reference with people. In number of personal qualities of A.Fajol has added: vigour, independence, persistence, call of duty. Results of researches of A.Fajolja are published in its two books: «the administration Theory» (1900) and «General and an industrial department» (1916).

The American follower of ideas of Fajol was *G.Emerson* the substantiation of principles of the management published in the book «Twelve principles of productivity» (was which vertex of researches 1911).

Principles of productivity of the organisation are:

1. *Clearly objects in view* - the starting point of management providing achievement of the best result.

2. The *common sense* consisting in a recognition of errors and search of their reasons, the purpose analysis on expediency.

3. *Competent consultation* - on the basis of attraction of professionals for the purpose of management perfection.

4. The *discipline* providing an accurate regulation of activity, the supervisory control, timely encouragement. The best means of discipline - general spirit of the enterprise.

5. The *fair relation to the personnel*.

6. The *fast, reliable, full, exact and constant account*.

7. *Диспетчирование* - the organisation of operational planning and the supervisory control of movement of all material resources of the enterprise (raw materials, materials, a semimanufactured goods, finished goods and etc.). According to Emerson, «it is better диспетчировать not planned work, than to plan work, not диспетчируя it».

8. *Size standards and the time schedules* promoting search of lacks, reserves in the organisation, to decrease in losses.

9. *Normalisation of a work environment* - a combination of time, efforts and the cost price at which the best results are reached.

10. The *rationing of operations* consisting in standardization of ways of their performance, time regulation.

11. The *written standard instructions* providing accurate making fast of all rules of performance of works.

12. *Compensation for productivity.*

G.Emerson considered that correct principles even in hands of mediocre heads appear more effectively unsystematic and casual actions of "professionals". Emerson gave Great attention to questions of correct selection of shots. He considered that the basic attention should address on internal potential of the person, propensity and character at arrangement on workplaces. When the person is not on the place, the organisation cannot count on good results of its work.

L.Urvik (the adviser for management in England) has deepened A.Fajolja's substantive provisions and has formulated following making elements of administrative activity: mapping out, the organisation, staff completion, a management, co-ordination, the reporting, budget drawing up.

L.Urvik's main attention has given to working out of principles of construction of the formal organisation:

- ✓ Conformity of people to management structure;
- ✓ Creation special and the Joint Staff, carrying out the help to the head in decision-making;
- ✓ Comparability of the rights and responsibility;
- ✓ supervisory control range, i.e. optimum number of persons in direct submission of the head;
- ✓ Specialisation in the purposes, operations, the consumer (a geographical sign);
- ✓ Definiteness in work (presence of duty regulations).

The concept of "rational bureaucracy» *Max Veber* (1864-1920) became logic end of classical school of management.

On the basis of M.Veber's researches has allocated three basic types of the organisations depending on character of the power:

- ✓ *Charismatic* when the head possesses the exclusive personal qualities ("charisma") allowing it to be by the informal leader;
- ✓ *Traditional* when there is a natural replacement of the leader and members of the organisation by tradition submit to the new head who has come in the stead to the former leader;
- ✓ *Ideal bureaucratic* organisation based on special parting of the power, regulated by duty regulations and providing to the head possibility to be the formal leader.

According to M.Veber, leadership of the head is provided with following factors:

- ✓ Organisation activity is dismembered on the elementary elementary operations which performance is fixed formally to separate links, divisions;

- ✓ Each head is allocated with formally made fast power and authority which operate only in firm;
- ✓ Operating procedure of each member of the organisation is defined by specially developed rules, instructions and standards;
- ✓ Any head should keep defined «a social distance» and to be impartial in relation to the clients and subordinates;
- ✓ Presence in the personnel selection organisation. Each member of the organisation should hold the post according to qualification and to be protected from possibility of any dismissal. Promotion is defined by life cycle and results of activity of the worker. It promotes career growth of the most skilled heads and achievement of the best results [15].

As a whole, at the analysis of researches of classical school of management it is possible to allocate the following its basic lack: classics of management considered possibility of increase of efficiency of any organisation only at the expense of internal rationalisation without environment factors. In modern conditions of a competition the organisation cannot be shut system as it will lead to internal misfittings and deterioration of competitive positions of the enterprise in the market.

2.4. School of human relations

In the management theory the new direction of researches was generated in 20-30th by Its founder it is considered *E.Mejo* who studied motivation problems on a mill «the Western Electrical fitter Hotorn» (State of Illinois) in 1927-1932

Experiment was spent to some stages on which base researchers analyzed dependence between a work environment - illumination, by air temperature, payment level - and productivity of workers. The purpose of check of influence of classical principles of motivation on results of work was initially put.

At the first stage of researches two groups have been allocated: experimental and telltale (changes it was not spent). After end of the first stage it has appeared that labour productivity has increased in two groups. At the second stage of researches when in experimental group initial conditions have been established, productivity of this group has not fallen. Researchers have established that environment change in which work is carried out, causes other effect rather than it was supposed according to the theory of scientific management. In one cases very sharp changes yielded notable result, in others - people ignored "physical environment" changes, continuing to work in invariable rate.

So, in group of collectors of the relay it were given which the big freedom of dialogue, preferential payment, a leisure time activities room, independent mapping out of an operating schedule was carried out, etc., - at reduction of the working day and working week general labour productivity has increased. When scientists have returned initial conditions, development of working women remained at former high level and did not decrease. Scientists have been confused, as it in certain degree contradicted the classical theory of motivation.

The further polls of employees have shown that social pressure was motivating force. Workers established own panel size standards or the standards of behaviour defining size of development. In group it was accepted to sneer at those who exceeded this level (them named «upstarts») or недорабатывал (it "nets" nicknamed). Such pressure was rather effective: workers approval of the colleagues, than an increase to a salary more worried.

As a result of E.Mejo's this experiment and its employees have come to a conclusion that labour productivity is influenced by psychological factors and panel values. It is established that in the worker are inherent not only physiological, but also the social and psychological requirements, which dissatisfaction leads to indifference in work and to work decline of productivity.

Therefore for increase of productivity of E.Mejo and its employees recommended to carry out following actions for improvement of a psychological microclimate at the enterprise:

- ✓ Increase of interest to work by means of acquaintance of employees to enterprise history, its position in the market;
- ✓ explanation of a role of each worker and the importance of its work for achievement of general result;
- ✓ Achievement of understanding of the purposes of the enterprise that workers felt its part, showed active interest to activity of their organisation.

For realisation of actions for microclimate improvement such means of work with employees, as were offered:

- ✓ Carrying out of special conversations, broadcasts;
- ✓ edition of internal newspapers and magazines;
- ✓ Rewarding by memorable souvenirs and gifts of the caused most a stir workers;
- ✓ Granting of some household services, table, clubs, athletic fields.

As a result хоторнского experiment the organisation began to be considered as difficult social system in which separate individuals and groups

(formal and informal) actively co-operate with each other, forming the social environment of the organisation influencing satisfaction by work.

In the course of researches the *Hotorn's effect* - conditions in which novelty, interest to experiment or special attention to this point in question from administration and workers led deformed has been defined, is frequent to too favorable result. Participants of experiment really worked much more assiduously, realising that they are involved in experiment, and also for the reason that the administration shows attention to the personnel. The practical sense of this effect consists that it is necessary to do the certain amendment on experimental results.

One of conclusions хоторнских researches was that within the limits of formal groups there can be informal groups, panel size standards and which system of values influence efficiency of activity of the formal organisation.

George Homans was engaged in studying of informal groups.

Informal groups are spontaneously formed groups of people which enter regular interaction for definite purpose achievement. Formation of the informal organisation and necessity of management of it proves model of Homansa (fig. 2.4).

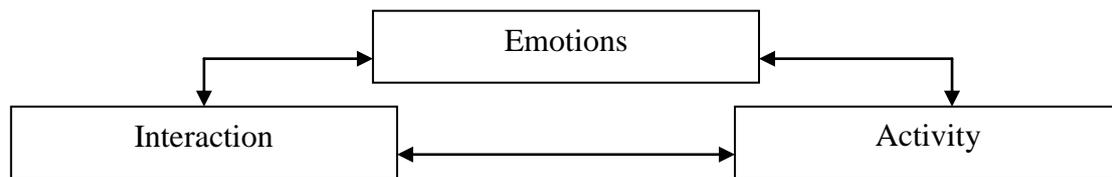


Fig. 2.4. Model of formation of the informal organisation

Under activity sorts in model the problems which are carried out by people in the organisation act. In the course of performance of these problems people enter interaction in which result there are certain feelings - positive or negative emotions in the relation each other and the heads. Emotions influence activity and interaction of people in the future. Character of emotions affects efficiency of activity of the organisation. Positive emotions raise labour productivity. Negative emotions lead to undesirable consequences (complaints, turnover of staff, прогулы) and to formation of informal groups.

The reasons of the introduction of people in informal groups:

- ✓ Feeling of an accessory to social group;
- ✓ Mutual aid of employees;
- ✓ Protection from participants of informal groups;
- ✓ Dialogue with colleagues;
- ✓ Sympathies for informal leaders.

On researches of J. Homans, informal groups make following impact on the formal organisation:

- ✓ Social supervisory control of behaviour of people in group;
- ✓ Resistance to changes or introduction of the new technologies, promoting mass reduction of the personnel;
- ✓ Counteraction of informal leaders to execution of decisions of a formal management.

As the primary factors defining possibility of the worker to become by the informal leader, Homans allocates age, official position, professional competence, a workplace arrangement, a freedom of movement, responsiveness.

Homans has drawn a conclusion that destruction of informal group is undesirable, even if it constrains organisation development as it can become the reason of serious social problems and lead the organisation to death. Therefore it is necessary for formal management to operate the given processes.

In the modern theory of management it is considered that the informal organisation can help formal with achievement of its purposes. For this purpose it is necessary to consider following factors:

- ✓ Management should recognise the informal organisation, to work with it and not to threaten its existence as it will lead to destruction of the formal organisation;
- ✓ To listen to opinions of leaders of informal groups;
- ✓ At decision-making it is necessary to consider possible negative consequences on informal group;
- ✓ To lower resistance to changes it is possible at the expense of participation of members and leaders of informal groups in decision-making;
- ✓ With a view of prevention of distribution of hearings it is necessary to give the exact information in due time.

In the foreign companies management by means of committees is often used. The *committee* is a group in the organisation by which powers for performance of any task or a complex of tasks, and sometimes and assessments of works of the head, its appointment and dismissal are delegated. Committees still name councils, target groups, the commissions, com-

mands. Their main feature is panel decision-making. This form is often used in large диверсифицированных the companies where it is necessary to operate set of various sorts of activity.

Allocate *special committee (adhoccommittee)* - temporarily generated group for performance of a specific goal (solution of a problem) and *standing committee (standingcommittee)* - the group constantly operating in the organisation having a specific goal. For example, group on development of a policy of the company, mapping out group, the commission on consideration of complaints of employees and etc.

Management efficiency by means of committees is often defined by level of the powers delegated by it (linear or functional, i.e., whether allocates committees with powers to make decisions and to lead up them to execution or not) [18].

Quite often committees (groups, commands) act in the form of advisory body at the head. However absence of certain powers (depending on a solved problem) can reduce management efficiency by means of committees. Besides, quality of their work is influenced by number of the personnel. Optimum number of group is considered from 5 to 10 persons.

As a whole representatives of school of human relations have put forward following ideas in the field of management of the organisation:

- ✓ Participation of the worker in management;
- ✓ Carrying out of regular actions for economic and administrative education;
- ✓ humanisation of work of workers and improvement of a psychological microclimate at the enterprise;
- ✓ Refusal of the line organisation of manufacture and transition to independent assembly stands (complex brigades) which represent more ample opportunities for social dialogue;
- ✓ Increase of pithiness of work by combination of trades that promotes growth of qualification of workers and increase in their interest to work.

The school of human relations has played theories of management a special role in connection with development of a new direction of researches, uses of socially-psychological factors in management of the organisation and constructions of steadier models of management.

The main lack of this school is that its representatives exaggerated a role of socially-psychological factors and management methods in the field of increase of efficiency the figure-nosti of the organisation. Actually a paramount role in production play economic and the technology factors defining steady structure of the organisation.

2.5. School of behavioural sciences

Development of school of behavioural sciences in the management theory concerns the period since 1950 on the present. The name of a new direction occurs from an English word "behaviour" - behaviour and term widely used in psychology «behaviourism».

According to the theory бихейвиоризма the behaviour of the person is positive reaction to repeating positive stimulus which promote development of steady behaviour.

Unlike the school of the human relations which have concentrated researches on methods of adjustment of interpersonal relations, representatives of school of behavioural sciences were engaged in studying of motives and requirements of the people which satisfaction promotes increase of productivity and efficiency of their work, increase in efficiency of the organisation as a whole.

Within the limits of school of behavioural sciences has developed two directions of researches:

✓ *Substantial theories of motivation* represent grading of internal promptings (requirements) which force people to operate in the given direction. To them carry the theory of motivation of A.Maslow, D.MakCleland, F.Gertsberg;

✓ *Remedial theories of motivation* are based on studying of behaviour of people in their labour activity taking into account perception them of compensation. To them carry the theory of expectations of V.Vrum, the theory of justice and the theory of motivation of Porter - Louler.

The *motivation* is a process of stimulation of the separate person or group to the activity directed on achievement of the purposes of the organisation. The motivation is necessary for productive performance of the accepted decisions and the planned works.

The motivation of workers by means of satisfaction of their requirements is an opening system as in process of mankind development the structure of requirements changes. In this connection till now there was no all an accepted identification of the requirements influencing motivation and behaviour of the worker. Therefore the manager should expand management tools constantly.

Nevertheless, it is accepted to allocate with all researchers two groups of the requirements motivating the worker to effective activity: primary and secondary.

Primary requirements are by the nature physiological and, as a rule, congenital. To them carry requirements for food, water, clothes, habitation, requirement to breathe, sleep, sexual requirements.

Secondary requirements by the nature the psychological. For example, requirement for success, respect, attachment, the power and requirement for an accessory to whom or something. Primary requirements are put genetically, and secondary are usually realised with experience. Owing to distinction of the got experience secondary requirements of people differ in a greater degree, than primary.

Hierarchy of requirements of A.Maslow. In 1943 psychologist A.Maslow has come out with the assumption that the human behaviour is defined by a wide spectrum of requirements which it has divided into five groups and has arranged them in certain hierarchy. At the heart of motivation the *physiological requirements* necessary for maintenance of a normal standard of living - food, clothes, home unit and etc. On Maslow before the person is able pursue other aims lie, it is necessary for it to satisfy the basic needs (fig. 2.5).

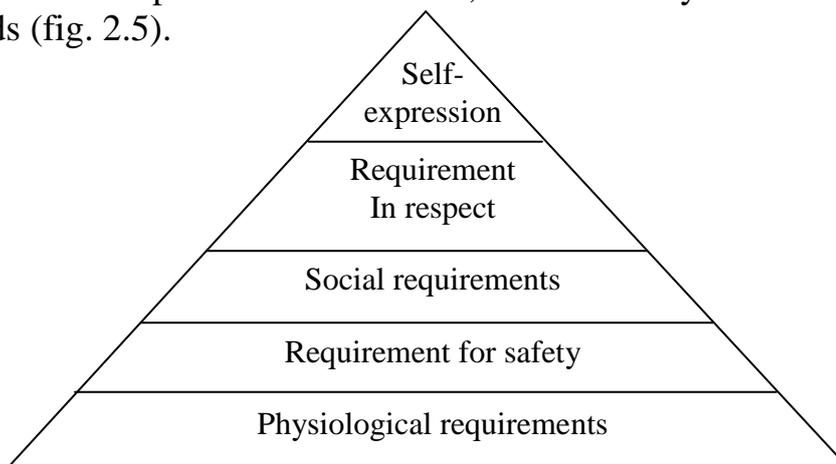


Fig. 2.5. A pyramid of requirements of A.Maslou

When the person has got enough of articles of prime necessity, he aspires to be insured from possible losses. Such *requirement for safety* will be satisfied thanks to the high salary which allows to make savings, and also thanks to systems medical and social insurance, provision of pensions and employment warranties.

Social requirements is a desire of people to communicate with each other, to love and be favourite, to have a feeling of an accessory to collective which can be more important for workers, than financial reasons.

The *requirement for a recognition and respect* is a sensation of value of the person necessary for workers as single whole integral part. Besides, workers need the respect based on achievements in competition to other people. These requirements are connected with concept of the status of the person in the opinion of associates.

Requirement for A.Maslow's self-expression has defined as desire to use all potential possibilities. People who reach this level, work not simply because of money or to make impression upon others that is why that understand value of the work and test satisfaction from its most process. Маслоу considered that at development of the person as persons extend its potential possibilities and consequently the requirement for self-expression can be never completely satisfied. As a result motivation process is cyclic and бесконечным.

On Maslow, each subsequent level of requirement becomes active (i.e. the strongest impact on motivation makes) at satisfaction of requirements of the previous level.

The hierarchy of Maslow is a general grading of human wants, and it cannot be considered as the rigid scheme. To each concrete moment the person moves the whole complex of requirements. Besides, in the absence of possibility of satisfaction of active requirement people aspire to realise other requirements partially to compensate this lack. The theory of requirements of A.Maslow does not consider individual characteristics of the person.

The practical importance of the theory of motivation: each manager should study carefully the subordinates, the nobility and reveals their pressing needs and problems for the purpose of motivation. The motivation of workers through requirements is difficult enough and creative process.

The theory of grading of requirements of David McClelland. The given model of motivation does the basic dog on requirement of the highest levels taking into account specific features of the person. McClelland has allocated three requirements: the authorities, success and participation [18].

The requirement of the power is shown as desire to influence other people. In hierarchical structure Maslou the requirement of the power is intermediate between requirements for respect and self-expression.

On researches of McClelland, the people, feeling such requirement, are the frank, vigorous and purposeful workers possessing oratorical abilities, ability to risk. With requirement for the power, at absence at them propensities to adventurism and tyranny, it is necessary to prepare people for employment of the higher supervising posts.

The requirement of success - is shown in aspiration of the worker to lead up work before successful end. Workers with requirement of success risk moderately and prefer situations in which they incur responsibility for search of the decision of problems provided that results of their work are quite particularly encouraged. The requirement of success also is somewhere in between requirement for respect and self-expression. For increase of motivation of workers with such requirement it is necessary to put before them problems with moderate risk, to delegate it sufficient powers for initiative display, regularly and particularly to encourage them by the reached results.

The *requirement for participation* is similar to social requirement on grading of Maslou. People with such requirement are interested in adjustment of friendly relations, rendering assistance by another. The work giving ample opportunities for social dialogue will motivate such workers only.

Two-factorial model of motivation of F.Gertsberg. In 1960 F.Gertsberg and its employees have conducted own research of human wants. They have asked workers and serving to describe the concrete parties of their activity which either satisfy, or do not satisfy them, and then have analysed results of poll.

According to conclusions of Gertsberg, the received answers were divided on two groups which he named "hygienic" (supporting) factors and мотиваторами (fig. 2.6).

Hygienic factors are connected with environment in which work is carried out. They define degree of dissatisfaction work at their absence or insufficient degree. If they are sufficient, do not cause satisfaction.

The Motivators - factors of human relations in business which are capable to strengthen motivation. They define degree of satisfaction of the worker work and characterise essence of work, its internal maintenance.

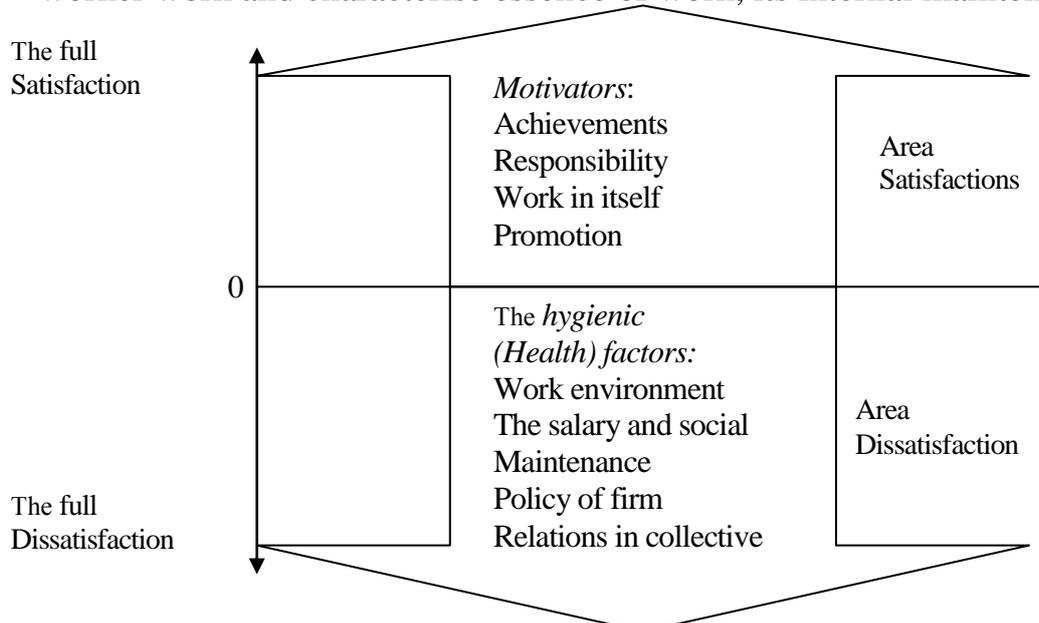


Fig. 2.6. Model of motivation of F.Gertsberga

Comparison of substantial theories of motivation is presented on fig. 2.7. F.Gertsberg's theory shows that мотиваторами the satisfaction of requirements for respect and self-expression is true. At achievement of a high standard of living managers can motivate workers only by means of granting of ample opportunities by it for creative self-realisation [18].

| A.Maslow's theory | D.Maklelland's theory | F.Gertsberg's theory |
|-----------------------------|--------------------------|-------------------------------|
| Self-expression Respect | The authorities, success | The motivating Factors |
| Social requirements | Participation | The hygienic (Health) factors |
| Safety The physiological | — | Safety |

Fig. 2.7. Comparison of substantial theories of motivation

The **theory of expectation of V.Vrum**. According to this theory a necessary condition of motivation of the person on definite purpose achievement is not only presence of active requirement, but also expectation degree that the type of behaviour selected by it will really lead to satisfaction or acquisition wished (fig. 2.8).

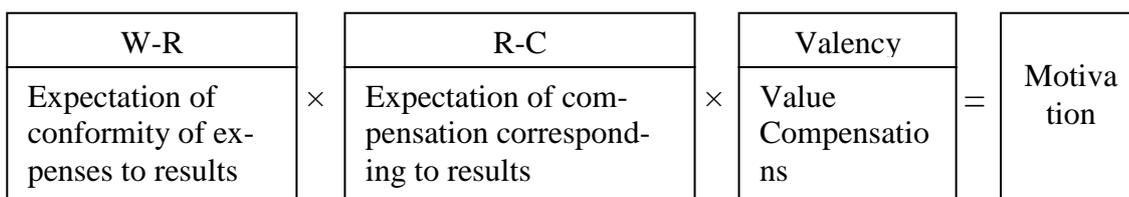


Fig. 2.8. Model of motivation of V.Vrum (the expectation theory)

Work expenses - results (3-P). At the given stage the parity between the spent efforts of the worker and the received results which depends on experience and qualification of the worker, correctness of distribution of problems, confidence of the worker of achievement of the necessary result is considered. For increase of motivation the manager at distribution of

tasks should consider a skill level of workers, confer them necessary powers and resources, to convince of possibility of a successful outcome, predo-stavljat the necessary help in training.

Results - compensation (P-B). This stage of motivation defines level of expectation by the worker of the compensation corresponding to reached level of results. If the person does not feel accurate communication between the received results and desirable encouragement, the motivation of work will weaken. Therefore the problem of the manager includes maintenance not only this communication, but also an explanation of the importance of the performed work at a task description as the worker subjectively estimates expected compensation.

Valency - the satisfaction or dissatisfaction degree arising owing to reception of certain compensation. As people possess various requirements, the organisation management should select that form of encouragement which corresponds to their expectations and requirements. For increase of motivation the manager should establish straight dependence between the end results and compensation. In this connection it is necessary to give compensation only for effective work.

According to the theory of expectation managers should generate high, but real level of the results expected from subordinates to raise their self-estimation and to convince of possibility of achievement of success and reception of expected compensation.

The *justice theory*. Workers subjectively correlate the received salary to the spent efforts and with compensation of other people performing similar work. If comparison shows an unbalance and injustice, i.e. the person considers that the colleague has got for the same work большее compensation it has a psychological pressure. Therefore for increase of motivation the manager should restore justice in payment and remove this stress. Otherwise, if the worker considers that to it underpay, it will reduce a rate of working. If to it overpay, the worker is not inclined to raise productivity.

In some organisations solve this problem by preservation of the sums of payments as fiduciary (payment in "envelopes", transfer into accounts or cards of the worker) and strict observance of measures on nondisclosure of the size of earnings that does not allow to make value judgment, comparisons. However such measures reduce motivational impact of a salary on promotion as the worker has no possibility to compare increase in earnings with additional responsibility at increase in a post.

The *Porter-Louler's model* is the complex remedial theory of the motivation including elements of the theory of expectations and the theory of justice. According to this model, the reached results depend on the *efforts*

enclosed by the employee, its *abilities* and characteristic *specific features*, and also comprehension of the *role* by it. Level of the enclosed efforts will be defined *by value of compensation* and *degree of confidence* that the made efforts will cause fair compensation (fig. 2.9).

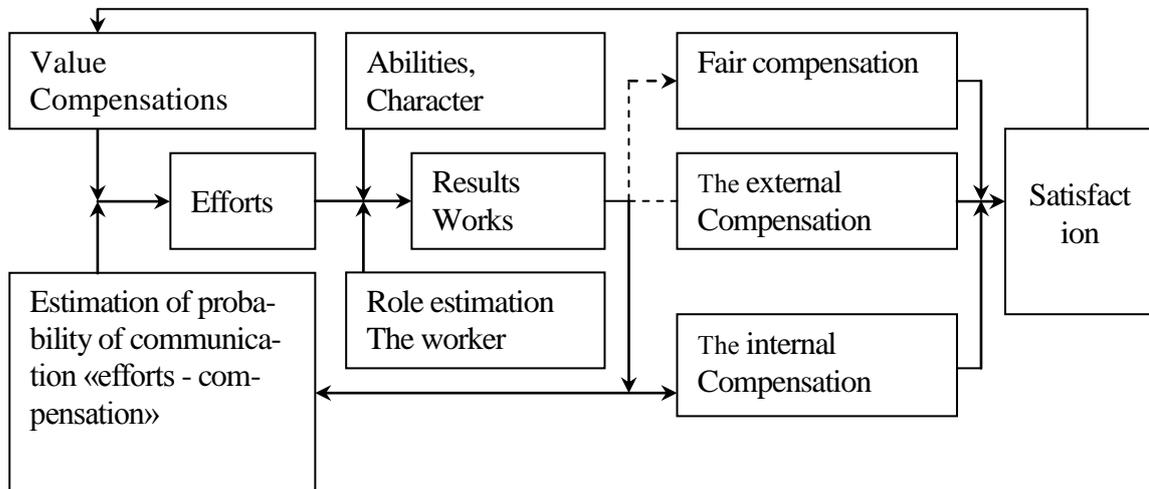


Fig. 2.9. The Porter-Louler's model of motivation

Authors of the theory allocate two types of compensation: internal and external. *Internal compensation* is connected with the work - feeling of achievement of result, pithiness and the importance of work, friendship and dialogue with colleagues. *External compensation* is connected with the organisation as a whole and depends on quality and quantity of the performed work (a salary, promotion, the status, a praise and a recognition, additional holiday, payment of certain personal expenses at the expense of the organisation).

One of conclusions of the complex theory of motivation is that productive work promotes satisfaction. It is opposite to opinion of representatives of school of human relations.

The «X-Y»theory of D.McGregor. It is considered that the given theory is intermediate between school of behavioural sciences and human relations as provides two models of behaviour of managers with subordinates.

«Theory X» characterises autocratic the style of a management which is based on command management methods. According to this model it is considered:

1. "The average" person does not like to work and this employment avoids.
2. Such workers it is necessary to force, supervise, threaten with punishment that they worked.

3. "The average" person prefers, that over it supervised, avoids responsibility, is rather unambitious.

«Theory Y» characterises democratic management style which leans against economic and socially-psychological management methods.

According to theory Y it is supposed:

1. "The average" person does not test dislike for work. For it to work also it is natural how to play and have a rest.

2. How much persistently the person follows the organisation purpose, depends on compensation for their achievement.

3. At a favorable conditions of work the worker himself to aspire to responsibility.

4. Many people are capable to use the imagination, intelligence and creative possibilities for the decision of problems of the organisation.

5. At a modern industrial development the mental potential of workers is used only partially.

According to the theory of McGregory, in practice really carried out styles of a management are in the middle between models X and Y that means development by managers of an individual approach and style of impact on subordinates [18].

2.6. Empirical (practical) school of management

The name of the given school occurs from a word «empirio» - experience, research. The school from the middle of the last century on the present develops and is widely presented by various experts: managers, engineers, psychologists, sociologists. The majority of them had a first-hand experience of management of the organisations in this connection this direction in management and name school of practical management.

Within the limits of empirical school of management has developed two directions of researches:

✓ Studying of economic and organizational-technical problems of management by the manufacture organisation (system of target management of P.Drakker);

✓ Sociological researches of a role and functions of managers in development of the organisations and societies in whole (theories of elite, technocracies, an industrial society, a society of general prosperity, grading of functions of manager Petersen - Ploumen).

The basic representatives of school of practical management are J.Galbraith, A.Sloun, P.Drakker, D.Karnegi, E.Petersen, E.Ploumen, T.Peters, R.Waterman, etc.

P.Drakker's system of target management. For maintenance of efficiency of managerial process as a whole it is necessary to co-ordinate the supervisory control to mapping out system closely. The popular management method possessing potential possibilities to consolidate mapping out and the supervisory control in difficult area of human resources is *management on the purposes*, or system MVO (Management by objectives - MBO).

P.Drakker the first has published concept MBO as a method of increase of efficiency of the organisation. In its opinion, each head in the organisation, from the highest to the most lowest level of management, should have the accurate purposes providing support of the purposes of heads, being on higher level. The management method on the purposes is necessary, as gives the chance to estimate heads on the basis of results, instead of personal qualities.

The system of target management consists of four interrelated stages (fig. 2.10):

1. Working out of accurate formulations of the individual purposes of heads of all levels of management.
2. Working out of realistic plans of their achievement.
3. The regular supervisory control, measurement and an assessment of works and results of work of all heads.
4. Correcting measures for achievement of mapped out results or the organisation purposes.

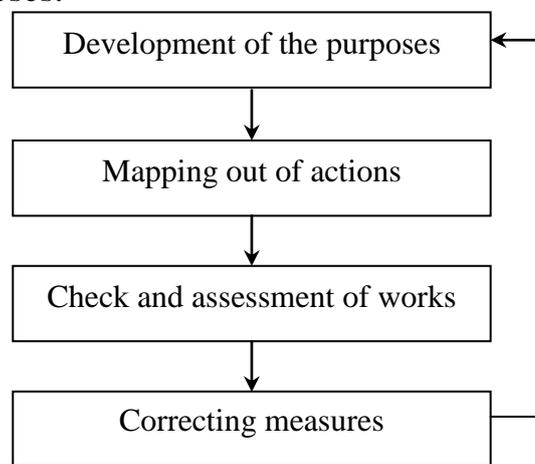


Fig. 2.10. Managerial process stages on the purposes

Development of the purposes in the organisation should to be carried out in parallel with process of industrial mapping out. After development by the top management long-term and short-term objectives for the organisation and for themselves personally in a descending order specific goals

for workers of a following level are formulated. According to P. Drakker, the subordinated heads should participate actively in development of own purposes, basing them on the purposes of the higher chiefs. It can be realised at meetings in departments at discussion of prospects for the future period.

The individual purposes of heads can be three sorts: the routine or daily purposes, the problem purposes and specific goals on improvement of professional skill of managers.

Process of mapping out of actions and formation of the gear of their realisation includes following six stages:

- 1) mapping out of actions for achievement of the purposes;
- 2) an establishment of interrelations between principal views of activity and creation of the schedule diagramme of works;
- 3) specification of roles and delegation of corresponding powers to heads for performance of problems;
- 4) an estimation of expenses of time on all operations and processes;
- 5) definition of necessary resources for performance of each operation, budget drawing up;
- 6) check of terms and updating of the plans of action.

The basic advantages of presence of plans of realisation of the purposes:

- ✓ estimation of practical possibility of achievement of the purposes;
- ✓ Revealing of potential problems and unexpected consequences for organisation activity;
- ✓ A choice of the most effective ways of achievement of the purposes;
- ✓ estimation of expenses and results;
- ✓ Revealing of unforeseen circumstances which should be considered for achievement of the purposes.

Check and estimation of results is carried out after the expiration of some period of time and intended for revealing of degree of achievement of the purposes, definition of problems and hindrances, revealing of personal needs of people and encouragement for effective work.

Correcting measures are accepted for liquidation of deflexions at an establishment of the reasons on which the purposes have not been reached. Correcting measures can concern changes of the plan of action or the purpose. If the purpose is executed - the new purposes are planned.

Researches show that productivity of the people having specific goals, above productivity of those to whom the purposes are not established.

Statement of specific goals raises productivity because the worker possesses accurate expectations concerning result and more effectively carries out self-checking.

The main reasons of not enough successful use of programs MBO are:

- ✓ Absence of interest and management support;
- ✓ Distortion of the concept and supervisory control strengthening;
- ✓ Difficulties at statement of the purposes;
- ✓ Paper work increase;
- ✓ Toughening of deficiency of time of managers;
- ✓ Absence of corresponding qualification;
- ✓ Absence of individual motivation;
- ✓ Weak integration with other systems;
- ✓ Strategy of inappropriate changes [18].

Designing and realisation of programs MBO should be carefully planned, and also assume change of operating system of the motivation focused on achievement of the purposes.

Grading of functions of the manager on Peterson - Plowman. Authors of the given model allocate ten functions of the manager on management of a manpower.

1. *Anestimation of a cash manpower.* Within the limits of this function the head analyzes problems carried out by division proceeding from an object in view and defines structure, qualification and posts of the experts necessary for their performance. Under each post duty regulations where requirements concerning qualification, knowledge and skills, the rights and the duties shown to a post are defined are developed. On each workplace or a post the estimation of an available manpower, their conformance to requirements becomes and the requirement for additional experts is defined.

2. *Creation of a reserve of candidates.* The given function is carried out in the presence of a lack of a manpower. The reserve of candidates by means of feed of advertisements in newspapers, magazines about presence of vacancies is created; references on labour exchanges, placement services and специализируемые the firms which are engaged in employment of citizens. At creation of a reserve of candidates and filling of vacant places at the enterprise the manager should solve a question on advancement of own workers on service for motivation increase. Besides, some researchers mark expediency of creation of a reserve by attraction for work of the friends, familiar experts already working at the given enterprise as the last know management requirements to the future candidates and bear for them certain responsibility.

3. *Selection of a manpower.* It is carried out by two methods: trial and interview. Trial is spent for the purpose of definition of abilities of the candidate to carry out necessary problems and functions. For example, work on PC with certain software products. In the course of trial are defined not only qualifying knowledge, but also psychological characteristics (vigour, intellectual possibilities, an emotionality and etc.) . Trials can be spent as independently organisation-employer, and the special centres, the firms which are engaged in selection of shots. Interview is spent directly at the enterprise-employer by its head or the head of concrete division where the candidate goes more often. Interview can be spent to some stages. The higher vacant post for which the candidate applies, the is more provided quantity of stages of interviews. For increase of interest of the candidate the manager should acquaint it with possible privileges and the encouragements operating at the enterprise.

4. *Adaptation of a manpower.* First of all, the head should present officially the employed new employee in all divisions with which workers it should co-operate. To minimise the period of social adaptation of again arrived worker, the manager should use all available formal and informal receptions allowing to the new employee without serious consequences to enter into the social environment of the structural division and the organisation as a whole. For example, to assign to it of the skilled worker (instructor) so that using informal methods of the dialogue, the new employee has received the necessary information on private principles of work of this labour collective, the organisation as a whole.

5. *Administrative function on a manpower.* In the course of realisation of this function the manager carries out the supervisory control of results of activity of all employees and informs them concerning efficiency of performed work. By results decisions on transfer of the worker for other work or a post or the termination of the labour contract for whatever reasons can be made. Transfer into other work or a post is carried out with a view of expansion of experience of the worker or increase of efficiency of its work on other place of work or in other post. Cancellation of the labour contract is carried out in a case when the worker cannot and does not wish to follow organisation standards. The given decision is accepted after all possibilities for effective work on other place of work or a post in the same organisation have been presented the worker. In a case when cancellation of the labour contract is unethical (the worker had in the past the big merits), with the consent of the worker the decision on its transfer into other place of work in the same organisation can be accepted.

6. *Organizational function.* At realisation of this function the problem of the manager consists in regular (daily, weekly, monthly) granting of the information to workers about positive and negative sides of their activity, directions of improvement of their work and following to organisation standards.

7. *Motivational function concerning a manpower.* At carrying out of an estimation of results of activity of the subordinated workers the manager should allocate the best employees for corresponding encouragement with a view of work stimulation. As a whole the problem of the head consists in definition of active requirements of labour collective and a choice of the corresponding form of compensation. Thus can be used:

- ✓ Additional bonus payments to a salary;
- ✓ Increase in posts or transfer of the worker into other work more interesting to it;
- ✓ Publicly expressed gratitude;
- ✓ Additional holiday;
- ✓ costly present from the organisation, etc.

8. *Vocational training of shots* arises at:

- ✓ Receipt of the new worker in the organisation;
- ✓ Appointment to a new post;
- ✓ Change of a direction of works;
- ✓ unsatisfactory estimation of results of work.

Allocate next ways of training of workers:

Preparation by carrying out of lectures, discussions, considerations of concrete business situations, carrying out of business games and role training within the limits of small groups at the enterprise or at various schools, seminars, other organisations;

Rotation on service - moving on a place of work or in a post in various divisions of the organisation. Can last from 3 months till 1 year. This system is most effective by preparation of managers in the organisation (it is popular in Japan);

Training of workers in the course of their work (on the job). The Most perspective workers can be charged with more responsible work for the purpose of definition of their abilities, increases of skills in performance of those or other problems.

9. *Advancement of employees on service.* Carrying out this function, the manager should plan and develop the program of career of the workers for the purpose of increase of their motivation to work. Management of career allows the organisation to use optimum abilities of the workers, reduces turnover of staff, raises labour productivity.

10. *Management of the organisation of work of workers.* Labour productivity of workers depends on degree of their satisfaction results of work. The positive psychological condition of workers is defined by such factors, as the importance of work, responsibility, comprehension of results.

Increase of the importance of work is provided at the expense of enrichment of the maintenance of work of each worker, expansion of its labour skills and increase in the importance of given out tasks. The sensation of responsibility for results of work amplifies by granting to the worker *большой* independence. Comprehension of results of work is reached by granting to workers of the information on the further advancement and use within the limits of the organisation and behind its limits of products of work of each concrete worker.

Mapping out and the reorganisation of activity directed on enrichment of work, should be carried out when the manager is assured of positive reaction to it of the worker.

As a whole researches of school of empirical management have marked return turn of attention of scientists and managers to problems of the organisation of system of management, perfection of processes of mapping out and other economic problems, after active entrainment for problems of development of the human factor.

2.7. School of modern management

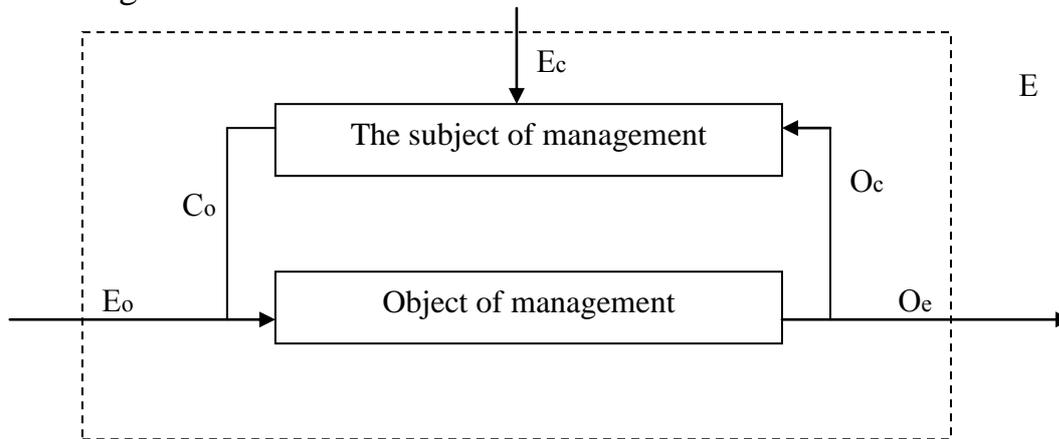
The new direction develops in management theories almost in parallel with school of behavioural sciences and school of empirical management. The main features of school of modern management is working out and application of system, situational and process approaches in management of the organisations, and also use of economic-mathematical methods at mapping out and modelling of activity of the subject of managing in the conditions of dynamical environment.

Founders of the given school are St. Bir, N.Wiener, R.Akkof, the Item Young, J. Miller, M.Porter, I.Ansoff, etc.

Representatives of modern management relied on consideration of any organisation as the opening system interconnected with environment by streams of the information.

It is possible to present the organisation as set of two independent, interrelated and interdependent subsystems: operated (object of management) and the managing director (the subject of management), providing development of the subject of managing in the market.

Apparently on fig. 2.11, between operating and operated subsystems of management there are the communication channels providing interaction of the organisation with environment.



Marking-offs: E - organisation environment;
 The EC - the channel of the external information arriving to the subject of management;
 Eo- the channel of the external information arriving to object of management;
 Oe- the channel of the internal information arriving from object of management in environment;
 With - the channel of transfer of operating impacts;
 Wasps - the feedback channel

Fig. 2.11. The scheme of the organisation of an open type

To the subject of management on the EC channel the information on external changes in the market (demand, the offer, the prices, behaviour of competitors, etc.) arrives, and also on the channel of feedback of Wasps data on a condition of object of management (performance of plans, reports, reaction of workers, hearings and etc.) arrive. On the basis of the analysis of this information the subject of management makes the concrete administrative decision and on the channel of transfer of the administrative information With leads up it to object, i.e. carries out corresponding operating impact. The result of this decision or impact is again transferred through the feedback channel in an operating subsystem. Impact makes on execution of decisions also the external information arriving to object of management on channel Eo (a work environment, social security, the salary at other enterprises and etc.).

The operating subsystem observes of a condition of environment and registers a condition of object of management, predicts its possible changes

according to dynamics of environment and supports the selected trajectory of development.

Thus, the operating system is original body of processing of the information on a condition of object of management and environment in the operating impact providing realisation of the purposes of the organisation in the conditions of the changing external environment.

Operating impact is subdivided on straight and indirect. *Straight* are orders, orders, planned targets on output, profit and profitability, labour productivity, a wages fund and etc. which are obligatory for performance. *Indirect impact* is connected with definition of desirable borders of change of external parametres according to interests of the enterprise and the object of management. Within the limits of these borders the object of management can independently function. Indirect impact through creation of system of economic stimulus which form material interests of workers to achievement of result expected by a management is realised.

Representatives of modern school gave special attention to studying of influence of external factors on the organisation. *Organisation environment* is understood as set of factors of an external environment (consumers, competitors, government agencies, suppliers, the financial organisations and sources of a manpower, etc.), influencing efficiency of functioning of the organisation in the market.

The main characteristics of environment are:

1) the *coherence of factors of environment* - defines level of impact of one factor on others;

2) *complexity of environment* - means number of factors which the organisation should consider in the activity, and also level of variability of each factor. In more difficult environment more difficult structure of management is formed by the organisation. At the environment analysis the factors specified in fig. 2.12 are studied.

3) *mobility of environment* is a speed of occurring changes in an organisation environment. The fastest changes occur in the aerospace industry, manufacture of computers, biotechnology and sphere of telecommunications. Less appreciable changes are observed in furniture and woodworking industry, manufacture of packaging materials and packing materials, foodstuff. Complexities of functioning in conditions *высокоподвижной* demand environment presence of systems of a flexible management and information support of administrative decisions.

4) *uncertainty of environment* is a relative quantity of the information which the organisation concerning the concrete factor, and also confidence of a management of accuracy of this information has. With increase in un-

certainty of an external environment in the absence of the relevant information acceptance of effective decisions is at a loss and there are problems in organisation development. In such conditions management is guided by decentralisation and stimulation of innovations, application of design, matrix and other organic structures of the management allowing in due time to update used business models and to raise stability of the company to external changes.

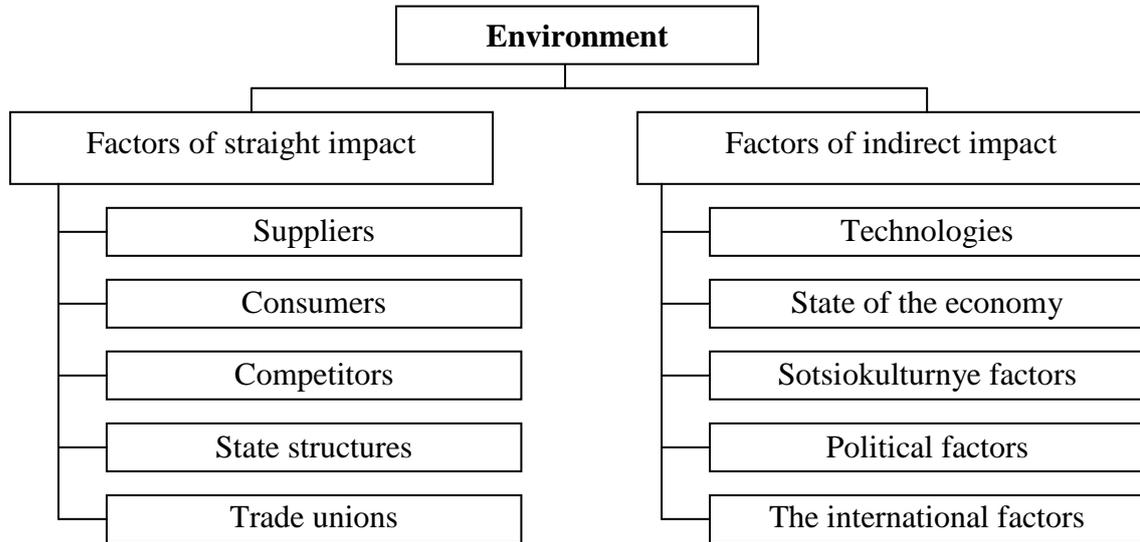


Fig. 2.12. Factors of an external environment of the organisation

The ***environment of straight impact*** includes factors which directly influence operations of the organisation and test on itself straight influence of the organisation. To these factors carry: suppliers, laws and establishments of state regulation, consumers of production (services), competitors, trade unions.

Suppliers. According to the system approach the organisation is a gear of transformation of entrance points in exits. The basic entrance points are materials, the equipment, energy, the capital and labour. Dependence between the organisation and a network of the suppliers providing input of specified resources, is the most typical example of straight influence of environment on operations and value of work of the organisation. As a whole suppliers are subdivided into suppliers of a source of raw materials, suppliers of the capital (banks, investors, innovative funds) and suppliers of a manpower (high schools, ссузы, the centres of employment, firm on personnel hiring, trade unions).

Laws and state structures. Each enterprise, firm get under action of numerous legal restrictions. Complexity and mobility, and sometimes even uncertainty of the legislation creates numerous difficulties for enterprise

work in the market. The organisations should observe and requirements of bodies of the state regulation providing compulsory performance of laws in corresponding spheres of the competence. For example, the committee on the prices provides realisation of the state price policy and carries out the supervisory control of observance of the legislation in the field of pricing.

Consumers. According to P. Drakker, a unique true purpose of business is consumer creation. The survival and the justification of existence of the organisation depends on its ability to find the consumer of results of its activity and to satisfy its inquiries. According to P. Drakker, the noncommercial and state organisations also have the consumers which citizens of the country are.

Competitors are the most significant external factor. In many cases not consumers, and competitors define, what goods can be sold and at what price. The management should understand accurately that the organisation should serve consumers also effectively as it is done by competitors. Only in this case it is capable to survive in the conditions of competitive struggle. For example, firm "Harley-Davidson" to which in 1955 possessed 70 % of the market of motorcycles, by 1970 has kept only 5 %, and by 1983 - 3,7 % of the market. It has compelled company management to search for an exit from a current situation and to apply non-standard measures of radical marketing at production advancement. With support of a new firm management the first club of fans of the given mark by means of which the opinion of buyers was studied has been created, the basic defects were eliminated, the reputation of the company that has allowed to increase in due course a share of the market to 35 % became stronger. However now such clubs are available almost for all competitors that reduces their effect.

Wednesday of indirect impact is understood as factors which do not render straight immediate impact on operation, but nevertheless affect them, as a rule, опосредованно (through factors of straight influence). For example, inflation growth reduces real incomes of the population therefore buyers start to get smaller volume of the goods or services, i.e. inflation (the indirect factor) has affected behaviour of consumers (the factor of straight influence). To these factors carry state of the economy, scientific and technical progress, социокультурные and political changes, the relation of a local society to business and the international factors.

The environment of indirect impact is usually more difficult than the environment of straight impact. The management often should lean against assumptions of such environment, being based on the incomplete information.

The *technology* is simultaneously an internal variable and the external factor of the organisation defining its efficiency and competitiveness. The main large technological innovations which have strongly affected activity of the organisations, the computer, laser, microwave, semi-conductor technology, the integrated communication lines, a robotics, satellite communication, atomic engineering, reception synthetic топлив and foodstuff, gene engineering are. The high technology enterprises dealing with high technologies, should react quickly enough to new workings out of competitors and to offer innovations for maintenance of the competitiveness.

State of the economy influences cost of entered resources of the organisation and consumer ability of consumers. In the presence of high inflation the organisation can make the decision on increase in stocks of resources and carry on with workers negotiations for the fixed payment for the purpose of restraint of growth of costs in the future and decrease in financial stability of the company. The management can make decision to take the credit as at approach of terms of payments money will cost cheaper. At forecasting of recession of economy the organisation can take measures on decrease in stocks of finished goods in connection with possible difficulties with sale, reduce staff of workers or postpone plans of expansion of business.

Sotsiokulturnye factors represent various installations, vital values and traditions which influence organisation functioning. The organisations should predict changes of expectations of a society and serve them more effectively, than competitors. The growing attention to social responsibility of the organisations became result социокультурного impacts on the organisation. With a view of the effective account of influence социокультурных factors in the world of corporations the important new discipline - management of public problems of the company is formed.

Especially important there is a studying социокультурных factors at an organisation exit on the international level as distinctions in culture, valuable installations and traditions in the different countries can make negative impact on business development. For example, unsuccessful activity of firm "МаксФактор" in Japan (cosmetics), companies "Campbells Sup" (the concentrated foodstuff) - in Brazil where the given goods were not in demand [18].

Political factors. Closely interconnected with социокультурными factors of mood of administration, a legislature and courts concerning business influence such actions of the government, as the taxation of incomes of the organisations, an establishment of tax privileges or preferential duties, requirements concerning hiring of workers, the legislation on protec-

tion of consumers, standards of safety precautions, preservation of the environment, the supervisory control of the prices and a salary. For the organisations guiding operations in other countries, the great value has the factor of the political stability guaranteeing safety of the rights of the investor.

Relations with local population. The relation of the population to organisation activity has paramount value as the factor of the environment of indirect impact after a political environment and government actions. With a view of maintenance of good relations with the organisation population use such tools as financing of local schools, charities, support of talented youth, financing of building of objects of a social infrastructure, sphere of culture and etc. It allows to strengthen image of the organisation in region and to create reliable conditions for long-term functioning and support from a society and local state structures of management.

2.8. Development of the domestic theory and management practice

The theory and management practice developed in pre-revolutionary time spontaneously, and it is possible to name this period донаучным management. Researches of many scientists and figures XVIII-XIX have been devoted centuries search of more effective management methods by economy and the state. Deserve certain attention of idea of I.T.Pososhkova, M.M.Speransky, N.S.Mordvinova, S.Ju.Vitte, P.A.Stolypina on reforming of system of the government by economy [15].

I.T.Pososhkova's principles (1652-1726) about improvement of management by economy started with a state main role in a management of economic processes. He held the opinion about necessity of use of noneconomic methods of compulsion for maintenance of labour discipline and recommended to struggle resolutely with unproductive expenses, to carry out the strict economy in all. Посошков established accurate connection between growth of riches and labour productivity and long before classics of scientific management has proved advantages of use of price-work payment in comparison with the time. It opposed injurious destruction young working scaffolds, young fish, gathering of unripe nuts and other similar measures harming to the nature and a society. Посошков was the adherent of free trade, but for eradication of a deceit from businessmen recommended to found the bureaucratic machinery of state supervising the prices and quality of the goods. For an industrial development recommended to encourage invention, to care of protection of the rights of creative masters, to

publish the law on patents that at that time it was characteristic only for England and France.

A.N.Radishchev (1749-1802) has given to the first of the Russian economists the detailed analysis of the fiduciary reference, has shown negative consequences of exhaust of paper money in the quantity exceeding requirements of the commodity reference. Criticised the government which with a view of reception have arrived to treasury carried out excessive exhaust of paper money that has led to rise in prices and shocks in a national economy. He considered that the tax system should carry out not constraining, and stimulating functions concerning economy development. In its opinion, with the tax all levels of population taking into account their property incomes should be assessed.

M.M.Speransky (1772-1839) was the stats-secretary of "Private committee» reform of the central management was which result of activity. In 1801 the manifesto on establishment of the ministries replacing earlier operating system of Petrovsky boards is published. The ministries have been constructed on the basis of the individual power and responsibility, and for co-ordination of their activity the Committee of ministers gathered. M.M.Speransky is prepared the project of the state reforms on дебюрократизации a state machinery, rationalisation of a political system on the basis of legality and civilisation principles. At the heart of its concept of economic development the idea of creation of economically independent estate, expansion of a private property institution and national education to which he gave particular attention lay. He has suggested to divide system of the power into three parts: legislative (State Duma), executive (ministries) and judicial (Senate). For association of functions of various parts of the government (its integration) creation of special body - the State council is offered. Thus, for restriction of irresponsibility and autocracy of bureaucracy Speransky has offered creation of the joint authorities consisting of elective representatives of estates, possessing the property.

N.S.Mordvinov (1754-1845), the nearest colleague M.M.Speransky, has developed the plan of improvement of a financial system of Russia. Long before F.Lista as whom consider as the classic of protectionism, Mordvinians has scientifically proved political and economic necessity of carrying out of a policy of strengthening of traffic walls, grantings of soft loans for an industrial development. He offered creation of the special banks which are carrying out the help in the organisation «общеполезных» of the enterprises, encouragement of inventions, science developments. Mordvinians co-ordinated system of monetary circulation with budgetary, credit and a tax policy.

Radical performances of intelligency and peasantry in second half XIX century and external circumstances have accelerated processes of carrying out of reforms in government system, city public self-management has been entered. In conducting municipal dumas the wide range of questions on urban governance and a city accomplishment was transferred. The then reform was constructive and rational.

S.Ju.Vitte (1849-1915), being the minister of ways of messages, in 1892 has developed the differentiated tariffs for the rail transportation, which steels the most progressive in Europe. Having headed later the Ministry of Finance, it has carried out the currency reform consisting in fall of the gold maintenance of rouble to a market rate of paper rouble. The firm rouble exchange rate stimulated an industrial development and attraction of the foreign capital.

P.A.Stolypin (1862-1911) was the continuer «an era Vitte» and the founder agrarian and переселенческой reforms, transformation of local governments, introduction of general elementary education. The world popularity to it was brought by the land reform directed on destruction of a community and development of the private country landed property. With support of the Country bank which was giving out the loans under insignificant percent for a period of 55,5 years, peasants it has been got and arranged well more than 200 thousand farm economy. Qualitative changes in ground relations have led to that with 1909 for 1913 manufacture of a grain-crops in Russia on 28 % exceeded production of Argentina, Canada, and the USA (leading manufacturers of grain), together taken. Stolypin gave special attention to national education development. Thanks to the undertaken reforms, in 1914 expenses of the state on formation made almost 300 million rbl. That in 2,3 times exceeded similar expenses of France [15].

Apparently from the history, certain ideas and state system principles have come to us from the West, but some of them were original enough and advanced the time, promoting development of system of the state management.

In послереволюционный the period there were basic changes in structure of the power, economic system and property relations. Considering features of socialist economy, D. V.Valovoj names this period the *Soviet management*. After a gain of the political power necessity of introduction of scientifically well-founded management methods becomes the most important problem.

In management practice it was supposed to introduce following principles of scientific management:

- ✓ One-man management introduction in management;
- ✓ Increase of labour productivity on the basis of the scientific organisation of work;
- ✓ organisation of economic (commercial) calculation;
- ✓ material interest of manufacturers in results of work;
- ✓ Introduction of the best systems of the account and the supervisory control;
- ✓ Working out of the indicator authentically reflecting results of activity;
- ✓ Strengthening of labour discipline and search of new forms of moral incentive of workers and managers.

The central link of the Soviet management was mapping out. Positive experience of mapping out, especially at microlevel, the beginnings widely to be used in world practice, and in many countries it has had the further development taking into account concrete conditions. For example, Japan thanks to system of the state indicative five years' plans during the post-war period left in the category of leaders of the world market.

The Soviet methods of managing at microlevel theoretically and practically provided use of main principles of scientific management. However the public property demanded search (for the first time in world practice) forms and the methods making a uniform guidance system, since a workplace and finishing a country national economy as a whole. It has created certain preconditions for the further development of the Soviet administrative thought and if to reject a policy it is visible that she gave a close attention to scientifically well-founded principles of management.

A.K.Gastev (1882-1941) has organised the Central institute of work (CIW) which carried out preparation of workers on the basis of the analysis of labour operations with the help of «cyclography», i.e. photos of separate elemental motions. Гастев has established "normal" - system of more correct movements of the worker. CIW urged to adopt Ford, Taylor's experience, Gilbreta and other scientists, and soon many foreigners began to use developments of CIW. *A.K.Gasteva's* works «Industrial world», «Labour installations», «Installations of manufacture by method of CIW», «manufacture Reconstruction» are devoted principles of the scientific organisation of work.

Necessity of definition of a regulator of socialist manufacture was one of actively discussed problems in the beginning of 20th of XX century. *A.A.Bogdanov* in the book «General organizational science» has formulated the concept in which has proved application as such regulator of the law of cost. In its opinion, in the conditions of a socialism this law is modified in

the law of proportional expenses. Богдановым a number of concepts (chain communication, the law of the least, a minimum principle, bioregulators) which have been used subsequently for construction of cybernetic models is formulated and have anticipated many ideas of cybernetics and the general theory of systems. Bogdanov defined his science «Tectology» as methodology and the doctrine of the decision of organizational problems. For definition of efficiency of the organisation of work he suggested to compare socially necessary expenses of time for manufacture of concrete sorts of production at various manufacturers, and as the generalising gauger of expenses - cost an indicator of exhaust of a net production. During this period many economists unanimously proved inexpediency of measurement of economic growth on the basis of gross output as because of the repeated account of cost of raw materials the manufacture total amount is essentially overestimated.

In 1922-1925 *N.D.Kondratyev* had been developed system of indicative mapping out which leant originally against development of all forms of managing. In realisation of new economic policy of the state and partial liberalisation of economy it has led to essential economic growth of many branches. However already in 1925-1926 of the beginning actively to be used the concept of administrative mapping out without switch connection of market mechanisms. In the late twenties of the last century of the power have passed to total command management methods.

Owing to features of a policy of this period many offers of economists long time appeared not realised, and the real recognition of management science has occurred only in 60th of XX century to occurrence and cybernetics development.

In practical use of cybernetics in management of economy the big merit belongs to *L. V.Kantorovich* who has created new branch in the mathematician, named linear programming. It is a basis of the theory of optimum mapping out and resource management. In 1975 for creation of the theory of linear programming and its use in the decision of economic problems of *L. V.Kantorovichu* the Nobel Prize on economy (together with American *T.Ch.Kupmansom*) [15] has been awarded.

On the one hand, the domestic science about management, developed in parallel with the western theories of management, absorbed the best experience and adapted it for conditions of socialist economy. On the other hand, the new schools of thought developing own concepts and management methods were created.

Economic reforms of 90th of XX century have led to revival of market methods of managing which stimulated developments of an administrative

science. In many higher educational institutions training of modern managers is organised.

3. MANAGEMENT FUNCTIONS

3.1. Management functions, their concept and the maintenance

In the modern theory of management management is defined as process of mapping out, the organisation, motivation and the supervisory control, necessary to formulate and reach the organisation purposes. The certain administrative actions performed in the course of administrative work under the decision of specific targets in the organisation have received the name of administrative functions. In translation from Latin "function" means performance, activity, a duty.

It is necessary to understand the certain sort of administrative activity which are carried out by special receptions and the ways and necessary for organisation and a management by that or other object of management as *management function*. Functional parting of administrative activity and allocation of functions of management grows out of work specialisation in administrative sphere connected with growth of scales of manufacture and complication of administrative processes. The concept of functional parting of administrative work is developed in researches of representatives of school of scientific management (F.Taylor, A.Fajol). For example, A.Fajol allocated 5 basic functions of management: a prediction, the organisation, managerial activity, co-ordination and the supervisory control.

In the modern theory of management various gradings of functions of management are presented. Allocate such functions, as forecasting, mapping out, the organisation, regulation, co-ordination, the account, the analysis, the supervisory control, motivation. However the most widespread is the opinion that the basic functions of management five groups: *mapping out*, the *organisation*, *motivation*, the *supervisory control* and *co-ordination* (fig. 3.1).

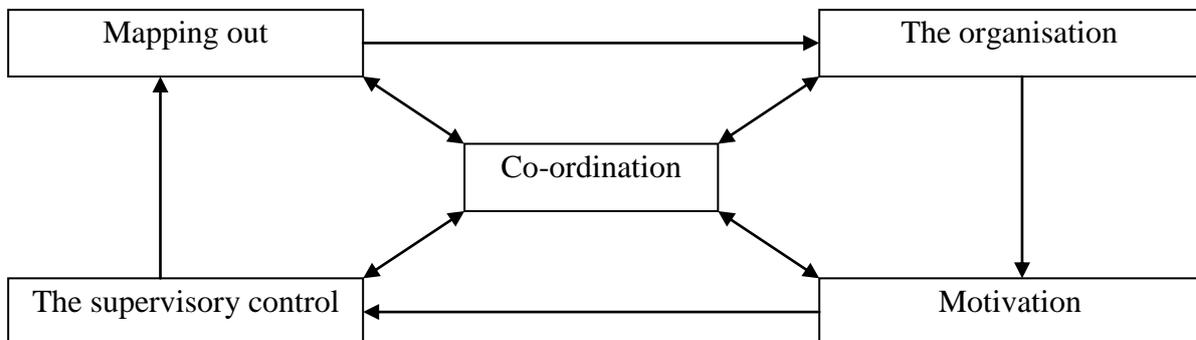


Fig. 3.1. The basic functions of management

These are so-called general, universal functions of management which reflect the maintenance of process of administrative activity and are characteristic for any organisation irrespective of specialisation of its activity, features of manufacture.

In modern gradings of functions of management allocate also concrete (industrial) functions of management which carry out corresponding industrial (functional) divisions: production management, management of marketing, quality management and etc. These functions are an object of research of independent disciplines.

3.2. General functions of management by the organisation

Mapping out and forecasting function. *Mapping out* is the sort of administrative activity including an estimation and acceptance of a complex of economic and social actions in an occasion of the further development of the subject of managing.

Mapping out includes:

- ✓ establishment of the purposes and organisation problems;
- ✓ Working out of strategy, programs and plans of achievement of the purposes;
- ✓ Definition of necessary resources and their distribution on the purposes and problems;
- ✓ Finishing of plans to all executors responsible for their realisation.

Mapping out process allows to formulate more accurately purposes of the organisation and to use system of indicators of activity for coordination maintenance in work of divisions, stimulations of labour activity working on the enterprise, the supervisory control of results.

Allocate three levels, or a sort, mapping out:

- ✓ *Perspective (strategic) mapping out* - working out of mission and strategy of development of the organisation, and also mapping out of its activity on long-term prospect (till 5 years and more);
- ✓ *Routine planning* - characterises mapping out of the intermediate purposes of realisation of strategy of development of the organisation

and distribution of problems and resources between functional divisions. The running business plans are made, as a rule, for 1 year with breakdown on quarters and months.

✓ *Operational planning* - enterprise scheduling for shorter period of time (month, decade, change).

The system of mapped out indicators in the plan is system of restrictions for activity of structural divisions of the organisation of corresponding level of management (strategic plans - the top management, the running business plans - an average control link, operating plans - a technological level).

Organic constituent part of mapping out is drawing up long-term and the medium-range forecasts showing possible directions of the future development of the organisation, considered in close interaction with environment surrounding it. Forecasting assumes construction of various models (the analysis of time numbers, cause and effect modelling, etc.) Which allow to predict with a certain share of probability to (expect) tendencies of development of the enterprise or the investigated factor (indicator) on prospect. Forecasts for the future are put in a basis of *strategic plans*, in which *взаимоувязаны* the major for any organisation of communication between the purposes, resources and environment possibilities. In turn, strategic plans make a basis for working out *flowing* and *operating plans* with which help work of the enterprise will be organised and its purposeful development in the conditions of market economy is carried out. All three types of plans form general system of mapping out which name the *business plan of functioning of the organisation*.

Organisation function. The *organisation* is a function of the management which problem is formation of effective structure of the organisation, and also maintenance with its all necessary resources for normal work - the personnel, materials, the equipment, buildings, money resources and etc.

At realisation of any plan made at the enterprise, necessity of function of the organisation, i.e. creation of real conditions for achievement of the mapped out purposes always is supposed. Quite often it demands reorganisation of structure of manufacture and management for the purpose of increase of their flexibility and *приспособляемости* to requirements of market economy, buyers of production. New links or special commands (target groups) can be entered into management structures, engaged in market studying, working out of strategy of development of the enterprise, formation of new production and etc.

The second problem of function of the organisation is creation of conditions for formation of corporate culture in the organisation which is charac-

terised by high sensitivity to changes, scientific and technical progress, uniform values for all organisation. This work is reduced to work with the personnel, to development of strategic and economic thinking in consciousness of heads, support of workers of an enterprise warehouse, inclined to creativity, innovations, risk and responsibility.

Main principles of the organisation of administrative activity are:

✓ *specialisation principle* - parting of administrative work into the certain elements (functions) fixed to corresponding division in organizational structure of management;

✓ *proportionality principle* - interrelation maintenance between the purposes and administrative decisions of heads of various divisions, a coordination in their work, carried out by means of operating plans, meetings, work in a command;

✓ *parallelism principle* - possibility of simultaneous realisation of problems within the limits of various administrative functions;

✓ *principle прямооточности*- the organisation of the straight communication channels providing movement of the administrative information on the shortest way;

✓ *continuity principle* - necessity of constant updating of the information and acceptance of administrative decisions for a mode of real time («on-line»), and also realisations of functions of co-ordination and the supervisory control of activity of divisions of firm;

✓ *rhythm principle* - realisation of timely purchases of raw materials and materials for creation of necessary stocks and maintenance of trouble-free work of the enterprise, and also timely acceptance of correcting measures on perfection of administrative process and use of modern technologies of management (system of deliveries precisely in time «just-in-time», system MVO, the concept of "a zero traumatism», etc.) [20, 22-27].

Motivation function. The *motivation* is the administrative activity, having for an object to make active the people working in the organisation, and to induce them effectively to work for performance of the mapped out purposes or mission. Realisation of function of motivation is a basis of construction of a control gear and achievement of the successful result stimulated with a personal interest of the worker.

Motivation process includes three basic stages:

- 1) an establishment of unsatisfied requirements of workers;
- 2) the formulation of the purposes directed on satisfaction of revealed requirements;
- 3) mapping out of actions for motivation increase to work.

Actions on realisation of function of motivation include the organisation of system material and moral incentive, enrichment of the maintenance of work and creation of conditions for display of creative potential of workers and their self-development. Managers should influence constantly such factors of productive work of labour collective, as attraction of the worker to management of the organisation, increase of the importance of its role, a timely estimation of results, a variety of work under the maintenance, growth and expansion of professional qualification working, their satisfaction from the received results, responsibility increase, possibility of display of the initiative and realisation of self-checking and etc.

Creation of system of motivating factors in the modern organisation was considered by us above within the limits of operating theories of motivation in more details.

Supervisory control function. The *supervisory control* is the administrative activity which problem is quantitative both quality standard and the account of results of work of the organisation. The supervisory control means process of measurement (comparison) of actually reached results with mapped out indicators of activity of the organisation.

The main tools of performance of this function are supervision, quality test of work of all services of the enterprise, carrying out of the account and the analysis of efficiency of industrial, economic and financial activity of the enterprise. Sometimes account and analysis function allocate as independent function of management on which results the monitoring system at the enterprise is constructed.

In managerial process the supervisory control acts as a feedback element as under its data updating before the accepted decisions, plans and even size standards and normatives is made. Effectively put supervisory control should have a strategic orientation, be guided by results, to be timely and simple enough. Last requirement is especially important in modern conditions when heads of the organisations aspire to build the work on a trust principle to people in this connection telltale functions of the manager are essentially reduced. It gives to the manager of more time for the decision of important strategic problems that raises management efficiency. However in the monitoring system there is a double orientation - the supervisory control lack reduces responsibility of the worker, the excessive supervisory control reduces the initiative. Therefore the modern head should find golden mean and develop the effective gear of the supervisory control.

In management allocate three sorts of the supervisory control:

✓ *Preliminary* - it is carried out at a stage of mapping out of activity before direct performance of a problem and consists in carrying out

of the analysis of mapped out actions (indicators), and also revealing of an optimum variant of development of the organisation taking into account a condition of an external environment;

✓ *running supervisory control* (operative) - is carried out in the course of problem or plan performance and consists in timely detection of deflexions from mapped out indicators for the purpose of their timely elimination. The running supervisory control usually is carried out by the special division, subordinated to an organisation management (analytical departments, dispatching service and etc.);

✓ *final supervisory control* - is based on the analysis of the reached results of activity following the results of work for the certain accounting period and represents a basis for the further stage of mapping out of activity of the organisation on prospect, and also represents the information for use of system of material stimulation of workers on the work end results.

Coordinational function. *Coordination* is the function of managerial process providing it uninterrupted operation and a continuity. The coordination main task - coordination achievement in work of all links of the organisation by an establishment of rational communications (communications) between them. For realisation of the given function various documentary sources (reports, service records, докладные, analytical materials), and also results of discussion of arising problems at meetings, management meetings can be used, at interviewing of workers and clients.

The essential role is played thus by the used means of communication helping quickly to react to deflexions in a normal course of works in the organisation. Modern information technology allows to automate this process partially.

By means of modern technologies of communications and information transfer interaction between divisions is established, operative maneuvering by resources is carried out, co-ordination and the coordination of all stages of managerial process (mapping out, the organisation, motivation and the supervisory control), and also unity of actions of heads of different levels [19] is provided.

In the conditions of increase of independence and responsibility of managers and executors there is a growth of informal communications which provide effective horizontal co-ordination of the works which are carried out at one level of administrative structure. Necessity of vertical co-ordination is simultaneously reduced, and the management structure becomes more simple and "flat" that promotes decrease in administrative ex-

penses (at the expense of reduction of the staff) and to increase of system effectiveness of management.

Part of function of co-ordination is the regulation of administrative activity directed on liquidation of possible deflexions from planned targets, schedules, performance standards. This function is carried out by the top management or special information services of the organisation, and by some authors is considered as a part of function of the supervisory control.

The gear of coordination of works includes in the organisations:

- ✓ Statement of overall aims or firm mission;
- ✓ Maintenance and the documentation of managerial processes;
- ✓ Use of modern communication facilities (Internet, Extranet);
- ✓ Construction of rational organizational structure of management by the organisation;
- ✓ A choice of effective methods of communications;
- ✓ Development of organizational culture in the organisation.

Creation of such gear of co-ordination and management of the organisation allows to find out in due time the first signals of approach of crisis and to minimise its negative influence on firm activity, to provide a business sustainable development.

Very important element of this process is *effective feedback* from employees who should understand necessity of the constant analysis of a situation in the market and at the enterprise and operative informing of heads on the running problems. The last shows interrelation of function of co-ordination with motivation and other functions of management.

3.3. Concrete (industrial) functions of management

Concrete functions of management is such sort of administrative activity which is directly connected with features of production, strategy of development and enterprise business model.

If general functions of management show directions of impact of all operating system on object of management as a whole, concrete functions *взаимоувязывают* purpose-built areas of administrative activity (pricing, the taxation, marketing, investment designing and etc.) with general functions and a guidance system of the organisation. Therefore concrete functions of management depend on specificity is industrial-economic activities also structures of management of each concrete enterprise.

At the modern enterprises allocate set of various concrete functions of management:

- ✓ general management;
- ✓ Management of the basic manufacture;
- ✓ Management of auxiliary manufacture;
- ✓ Management of production of services;
- ✓ Product quality control;
- ✓ Management of marketing;
- ✓ Management of the finance;
- ✓ Personnel administration;
- ✓ Human resource management;
- ✓ Management of innovations (innovations);
- ✓ Management of a salary;
- ✓ Supply and etc.

The quantity of special functions of management and their reflexion in organizational structure is defined, first of all, by the selected mission and development strategy, scales of activity of the organisation, competition conditions, requirements of the legislation and other situational factors [16].

For example, realisation of new strategy can demand creation of departments of strategic mapping out, working out of production, department of design and etc., and growth of scales of activity will demand expansion of department of marketing, creation of service of logistics, attraction of experts in public relations. Constant changes of environment demand creation of analytical service.

Thus, in manufacture development there are new concrete functions of the management, called to solve new industrial and economic problems in sphere of administrative activity. On the one hand, dynamical growth of the organisation leads to increase in quantity of the involved employees specialising on performance of separate production functions of management. On the other hand, expansion of labour potential and narrow specialisation promote introduction of innovations and updating of operating business models, providing necessary level of competitiveness of the organisation.

Prominent feature of concrete functions of management is that they also include general functions of management - mapping out, the organisation, motivation and the supervisory control directed on achievement of specific goals of corresponding functional divisions (fig. 3.2).

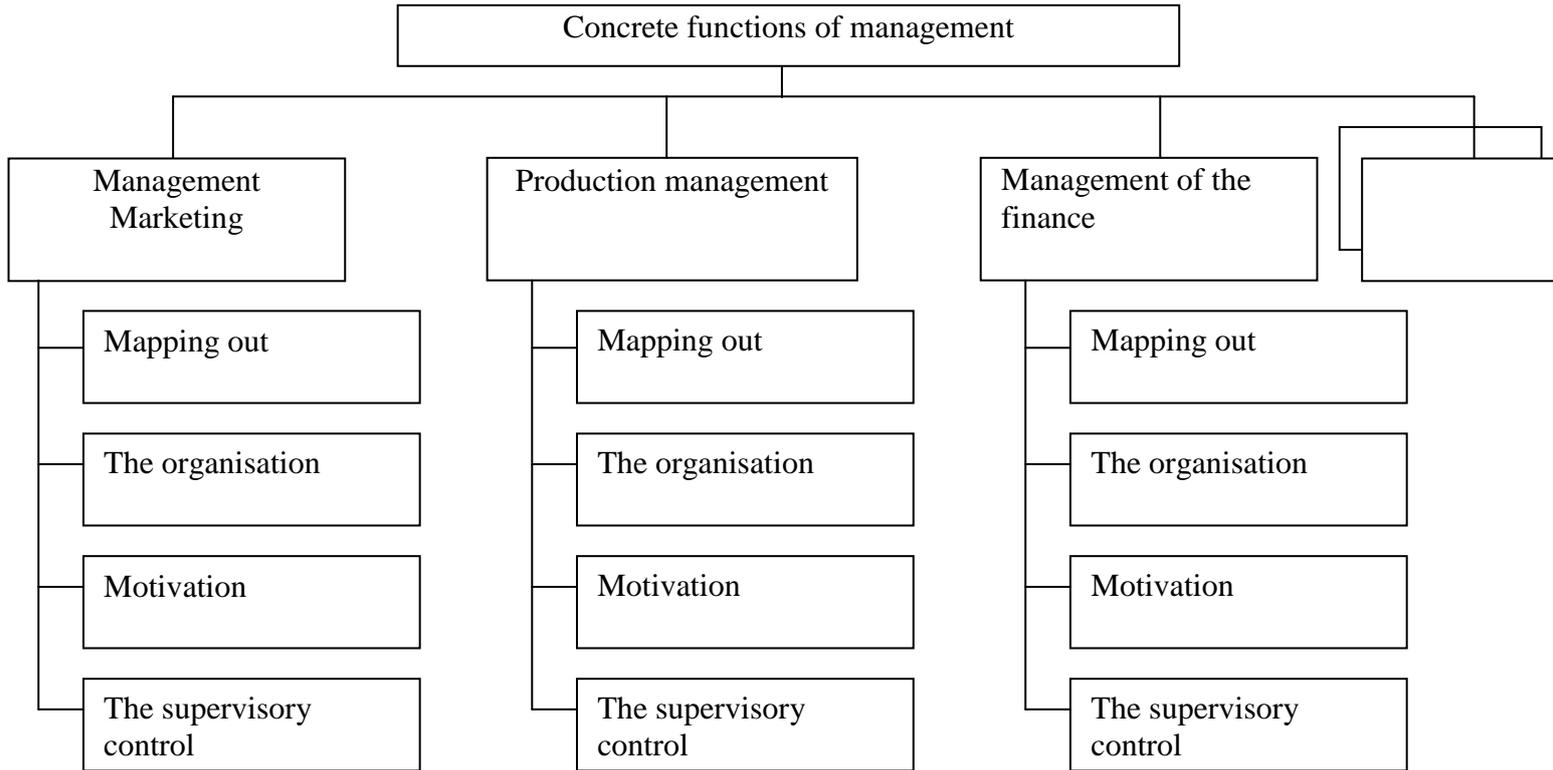


Fig. 3.2. Concrete (industrial) functions of management

On the practical level general and concrete functions of management are presented at the enterprise in indissoluble unity and can be carried out by the same functional divisions. For example, the mapping out department carries out general mapping out of activity of the subject of managing (general function of management) and mapping out of development of the basic and auxiliary manufactures together with industrial department (concrete function of management). In aggregate general and concrete functions of management open the maintenance of managerial process by the modern organisation and define its potential possibilities of development.

4. MANAGEMENT METHODS

4.1. Essence and grading of management methods

Management methods are a set of methods and ways of impact on subordinates for achievement of the purposes of the organisation. In translation from Greek «methodos» is a way of achievement of the purpose.

Management methods are characterised depending on their orientation, the maintenance and the organizational form.

The orientation of management methods reflects object of administrative impact (division, the enterprise, association, the ministry). The maintenance characterises the basic ways and receptions which are used by the head at administrative impact on subordinates. The organizational form of management methods shows, how impact on concrete a current situation in the organisation is carried out. This impact can be to straight lines (the order, the order) or indirect (statement of a problem and stimulation).

The given characteristics make a basis of grading of management methods. In the modern theory of management allocate:

✓ *organizational-administrative* management methods based on straight directive orders;

✓ *economic management methods* which are based on use of provision of economic incentives, focused on formation of economic interest of workers in the activity end results;

✓ *socially-psychological* management methods promoting improvement of a microclimate in the organisation and used for increase of social activity of employees [5-8].

All three groups of management methods are interconnected and definitely combined in activity of the manager, being an implementer of its functions of management.

4.2. Organizational-administrative management methods

Organizational-administrative management methods are a set of methods and the ways of management providing co-ordination of actions of subordinates. The main mission of these management methods is maintenance of necessary discipline, call of duty, a duty, responsibility for work performance. These management methods basically lean against the power of the head, have straight impact from the subject on object of management

and carry a binding character for labour process. They are regulated by legal certificates of the labour and economic legislation.

The basic forms organizational-rasporjaditelskih management methods is the following:

- ✓ *Obligatory instructions* (orders, interdictions and etc.).
- ✓ *Conciliatory* (consultations, the compromise permission);
- ✓ *Recommendations, wishes* (councils, offers, dialogue).

Directive commands (straight tasks and orders) authorities are directed on observance of laws and decisions, orders of a management with a view of optimisation of productions. By means of organizational-administrative methods quantitative and qualitative normatives of development of manufacture, rational use of resources are established, possible deflexions from a normal course of process of manufacture that provides accurate work and the supervisory control of activity of each division are warned.

In essence organizational-administrative management methods are the *methods of compulsion* which are valid until work does not get the status of the first vital necessity.

Principal views of organizational impact are:

- ✓ organizational regulation;
- ✓ Rationing;
- ✓ Organizational-methodical instructing and designing.

The *organizational regulation* is carried out by means of administrative certificates of long action (the charter, the instruction, positions, rules and etc.). By means of the given certificates the certain structure of management of the organisation and communication between various divisions that provides stability of system as administrative documents fix borders of activity of each division, the worker is fixed.

Rationing is more flexible form of the impact, allowing to establish borders of development certain administrative and productions in the organisation. The basic normatives are size standards of a raw materials consumption, performance standard and time, size standard of *controllability*, a sanitary and hygienic work environment, standards of performance of works, production quality standards.

All administrative certificates and normatives should be finished to the executor. As a result there is a necessity of a methodical explanation and *instructing* carrying out (single, periodic and other sorts of instructing).

As a whole organizational-administrative management methods can lead to resistance from workers, to their disobedience that reduces общеорганизационную efficiency. Therefore the greatest distribution was re-

ceived by indirect methods of impact on subordinates through system of provision of economic incentives, socially-psychological impact.

4.3. Economic management methods

As *economic management methods* understand set of economic levers and tools which can purposefully influence creation of a favorable conditions of work and development of the organisation in the conditions of the market.

In system of economic methods the main place belongs to *the commercial calculation* which essence consists in соизмерении expenses and results of economic activities of the organisation and maintenance of profitability of manufacture.

Commercial calculation uses such economic levers and tools, as *pricing, production costs, financing and crediting*. This use is directed on an ultimate goal of commercial calculation - reception of steady profit.

Commercial calculation turns to a method of realisation of functions of mapping out and the supervisory control by submission of all economic activities of the organisation to a problem of performance of in advance certain and mapped out indicators. Compensation of all expenses at the expense of received incomes and maintenance of steady profit of the organisation as a whole is provided at the expense of decrease and economy of expenses material, financial and a manpower.

The second feature of commercial calculation is representation of operative independence to the enterprises, industrial divisions and branches and creation of the so-called centres of profit. As result, within the limits of commercial calculation there was such form of mutual relations in the organisation (firm) which define as *intraindustrial (intrafirm) commercial calculation*. At intrafirm calculation the profit is defined at level of division and distributed between workers.

Degree of operative independence defines financial and economic position of division. Within the limits of the powers the head of division makes independent decisions and selects means of their achievement, and for results of activity bears material and administrative responsibility. Thus the head of division operates within the limits of uniform economic policy of the organisation as a whole. Within the limits of this policy he can establish the prices for end production, take measures on decrease in expenses, guide scientific researches, introduce innovations, investigate the market, carry out advertising and etc.

Within the limits of intrafirm calculation of the relation between the enterprises and divisions are under construction on the basis of planned schedules of deliveries and mutual obligations by quantity and quality of the delivered goods, term of deliveries and to the prices. Its structural divisions (the separate enterprises) report to the large organisation on indicators of profitability, profit and a share in the market.

Intrafirm calculation is applied in the organisations having decentralised structure of management and broken intraeconomic links between divisions. In a basis of relations between separate divisions (enterprises) the internal is conditional-settlement (transfer) prices on which calculations within the limits of one organisation are carried out are put. The product of separate division acts in the form of the goods. The internal transfer prices are established by a management of the organisation within the limits of the uniform price policy, as a rule, at use of a residual principle of calculation i.e. when from the end-product price expenses of separate divisions taking into account their rate of return are subtracted stage by stage. Intrafirm calculation is realised by means of minimisation of costs at all stages of manufacture and sale of the goods (services) that creates additional funds of provision of economic incentives in the division, motivations of workers used for increase and the further development of manufacture.

Use of commercial calculation and internal transfer payments forms system of market relations and a competition in the large company that promotes growth of general efficiency of activity.

Traditional systems of awarding applied now in the form of surcharges to a salary at achievement of planned targets of activity of the enterprise motivate to productivity increase, perfection of administrative processes insufficiently. Therefore the modern system of provision of economic incentives should be guided by creation of qualitatively new system of payment of the workers based on awarding on the end results of activity (decrease in level of marriage, economy of costs, growth of sales, profits, search of new clients, decrease in quantity of claims from buyers, improvement of quality of service of consumers and etc.).

4.4. Socially-psychological management methods

Socially-psychological management methods represent set of specific ways of impact on lichnost th relations and the communications arising in labour collectives, and also on the social processes proceeding in them. The given methods are focused on use of moral stimulus to work and influence

the worker by means of various psychological receptions with a view of transformation of work into the realised debt, internal requirement of the person. The manager influences on subordinated by a personal example, authority, The leaderqualities, belief. It interests workers by means of impact on realisation of their own purposes and requirements.

The main task of application of these methods - formation in collective of a positive socially-psychological microclimate, formation of favorable corporate culture which positively influence labour productivity and efficiency of activity of the organisation.

Social methods of impact characterise set of ways and receptions by means of which the head influences process of formation and development of industrial hindrances, noise (nonverbal communications) and on dialogue processes.

They include:

- ✓ Actions for management of career of employees and regulation of qualification of workers;
- ✓ Increase of a standard of life of workers and a housing improvement;
- ✓ Improvement of a work environment and design of a workplace, an occupational safety of workers;
- ✓ Maintenance of additional social services (journey payment on a place of work, permits in sanatoria-dispensaries and holiday houses, the maintenance of preschool institutions and etc.).

Psychological methods characterise regulation of mutual relations between workers by creation of an optimum psychological climate in division, and also impact on behaviour of the separate individual.

To psychological management methods carry:

- ✓ Methods of acquisition of small groups for the purpose of counteraction of occurrence of the informal organisations or groups;
- ✓ Methods of a humanisation of work - use of colour, music for an exception of monotony of work operations, expansion of creative operations;
- ✓ Methods of psychological prompting (moral encouragement, gratitude, a praise, rewarding by memorable signs and gifts from the company and etc.);
- ✓ Methods of professional selection and training of workers - selection of workers with the necessary psychological data (absence of a conflictness, skill to communicate, purposefulness, working capacity and etc.);

✓ Any rituals and the ceremonies inherent in the given organisation and forming certain culture of relations, positively affecting administrative processes.

Use of the given methods of impact gives the chance to the manager not only to generate steadier collective of workers, but also to raise their satisfaction work at the expense of sensation of value of the person, the importance for the organisation and rendering assistance possibility to other people to adjust effective process of communications and to receive a charge of positive emotions from the reached results of activity in the organisation.

Socially-psychological management methods demand presence of the corresponding prepared and flexible heads which can apply effectively enough various approaches in management of human resources, create necessary conditions for self-realisation of the person, development and use of creative abilities of workers at maintenance of a sustainable development of the enterprise in the conditions of market relations.

5. MANAGEMENT ORGANIZATIONAL STRUCTURES

5.1. Essence, types and sorts of organizational structures

The *organizational structure of management* is a set of administrative bodies and divisions with corresponding system of communications (linear, functional, horizontal, vertical, formal and informal), the purposes of the organisation providing realisation. Construction of rational structure of management is the most important stage in formation of effective system of management, maintenance of timely adaptation of the enterprise and its production (services) to requirements of buyers. The choice of this or that type and a structure sort is influenced by set of external and internal factors: mission and organisation strategy, scales of its activity, professionalism of managers, a skill level and responsibility of workers, speed of external changes and etc. Process of designing of organizational structure of management is called *departamentation*(department - department, division).

Process departamentation includes following stages:

- ✓ Formation of industrial, non-productive and functional divisions of the organisation depending on a type of manufacture, sorts of works and realised functions of management;
- ✓ Construction of optimum quantity of levels of management according to size standard of controllability of the head;
- ✓ Designing of the organizational communications providing effective communications and information transfer in the organisation.

The sort departamentation defines a sort of structure of management.

On the form and content allocate two types of organizational structures of management: mechanistic and organic [22].

Mechanistic structures of management are used in spheres with slowly developing technologies and in the conditions of low dynamics of an external environment. They are characterised by presence of rigid hierarchical structure of management, centralisation of the power, a large-scale of development of the vertical and formal communications strictly regulated by duty regulations of duties of subordinates, command management methods. In the conditions of slow development of the market such structures provide comprehensible efficiency. To the mechanistic organisations carry following sorts of structures of management: *linear, functional, linearly-functional* and *дивизиональные management structures*.

The skeleton diagramme of traditional mechanistic structure of management is presented on fig. 5.1. The sense of such structure consists that it

gives the chance to the organisation to function as the harmonious gear which all elements are closely interconnected with each other, and it provides effective co-ordination and the supervisory control of activity of subordinate divisions.

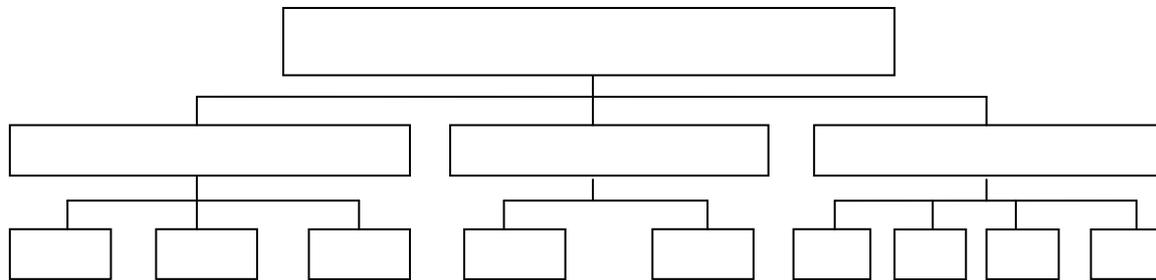


Fig. 5.1. The Skeleton diagramme of the mechanistic organisation

In the basis mechanistic or as them still name bureaucratic, the organisations lean against the classical principles of management proved in model functional organisation of F.Taylor, the theory of administration managerial control of A.Fajolja and the theory of rational bureaucracy of M.Vebera.

As management practice shows, the bureaucratic organisations are till now the most widespread. However modern conditions and a competition demand from the organisation *большой* flexibility, innovations, constant internal transformations that in mechanistic structure of management occurs very slowly because of excessive bureaucracy, conservatism of a management, necessity of any observance of instructions, rules and procedures, the rigid hierarchy, interfering changes. The decision of these lacks has led to formation of a new type of structures - organic, or adaptive, management structures [8, 20].

Organic, or adaptive, management structures are characteristic for the enterprises with high *быстроразвивающимися* the technologies working in the conditions of a dynamical external environment. The given structures differ flexibility and adaptability to external changes, widely developed information network, low degree of vertical differentiation, cooperation and adaptive duties of subordinates, are focused on informal communications and decentralisation of acceptance of administrative decisions. The management in organic structures is organised by a principle «one command». To organic (adaptive) structures of management carry following sorts of the organisations: *design, matrix, адхократические, multidimensional* (brigade), *market* (enterprise) and *venture* (innovative) structures of management. The skeleton diagramme of the adaptive organisation is resulted on fig. 5.2.

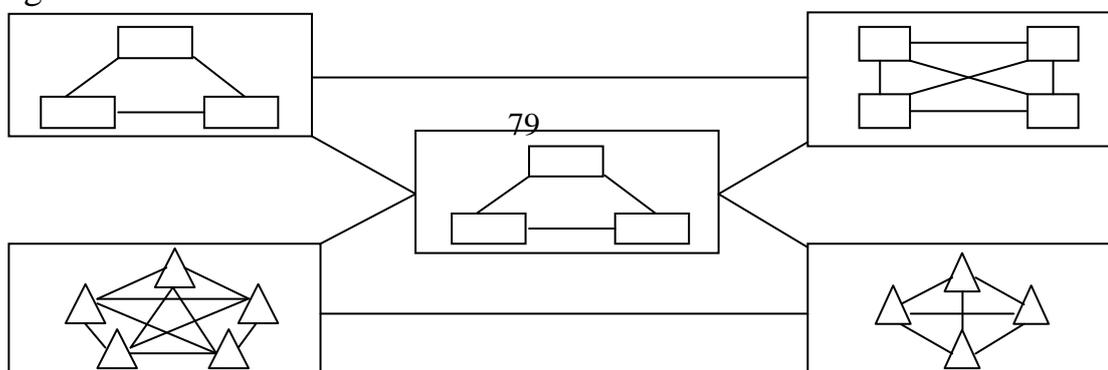


Fig. 5.2. The scheme of adaptive structure of management of the organisation

As is shown in drawing, the adaptive organisation represents set of several administrative teams which are connected among themselves by system horizontal and, as a rule, informal communications. Inherently in such structure there is no hierarchy and there is a role distribution of problems between employees who can co-operate for a solution of a problem as with participants of the group, and experts of other administrative teams that considerably raises efficiency of acceptance of new administrative decisions on working out and realisation of programs of development of the subject of managing. It is the structures of new generation leaning against high qualification and responsibility of employees, their participation in the property and a material interest in the end results of activity of the organisation.

5.2. Size standard of controllability: essence, factors, structures

The head can operate effectively restrained number of subordinates as for mapping out, time is necessary for the organisation of their activity, motivation and the supervisory control. Besides, it is necessary for head to be engaged in documents, to carry out negotiations with clients, a higher management and to solve many other questions. At restrained working hours for increase of overall performance of the manager rationing of its administrative loading, i.e. definition of optimum number of subordinates is required. Taking into account distinctions of individual characteristics of the head and its subordinates each organisation should develop the optimum normative of number of the personnel which is in submission of this or that manager.

The *size standard of controllability* (controllability or supervisory control scale) represents quantity of divisions or subordinates which can be effectively consolidated under a uniform management of one manager. In other words, the size standard of controllability defines optimum quantity of subordinates which the head can effectively operate. The size standard of controllability is one of the basic elements (normatives) used at designing of structure of management by the organisation as the numerical structure of divisions depends on its size, quantity of levels of management and finally overall performance of management.

The size standard of controllability, or scale, depends on set of situational factors which can be divided on two groups:

1. Factors of quality of work:
 - ✓ Similarity of work;

- ✓ Territorial remoteness of a workplace;
 - ✓ Complexity of work.
2. Factors of quality of the personnel and the organisation purposes:
- ✓ Level of preparation of subordinates;
 - ✓ Level of professionalism of the head;
 - ✓ Clearness degree in delegation of the rights and responsibility;
 - ✓ Degree of clearness directed by the purposes;
 - ✓ Degree of objectivity of an estimation of results;
 - ✓ Technics of communications;
 - ✓ Management level;
 - ✓ stability factor in the organisation;
 - ✓ Level of requirement of a management in personal contacts.

Depending on a condition of the specified variables in the course of individual researches it is proved optimum for a concrete situation (the organisation, management level) controllability or supervisory control scale. The given scale of the supervisory control defines optimum number of the personnel of structural divisions of various levels of management of the organisation.

Average normatives of scale of controllability depending on a type of manufacture and management level are presented to tab. 5.1.

Table 5.1

Average size standards of management (on D.Vudvord's researches)

| Level | The piece Manufacture | The mass Manufacture | The skilled Manufacture |
|-----------------|-----------------------|----------------------|-------------------------|
| The top echelon | 4 | 7 | 10 |
| Local link | 23 | 48 | 15 |

The size standard of controllability is restriction which during organisation expansion compels a management to increase quantity of levels of management constantly. Unreasonable vertical growth of structure is the negative factor leading to decrease of efficiency of the organisation at the expense of deterioration of process of communications and increase of expenses on the maintenance of staff of administrative workers. In practice of modern management the decision of this problem has led to formation of two types of scale of controllability - narrow and wide [8, 20].

The *narrow scale of controllability* is characterised by the minimum quantity of subordinates at one head that promotes formation of "high

structures» with the raised number of levels of management (fig. 5.3). Advantage of such structures is reduction of administrative loading that gives to managers an extra time on the decision of important strategic problems. A lack - growth of levels of management and administrative expenses.

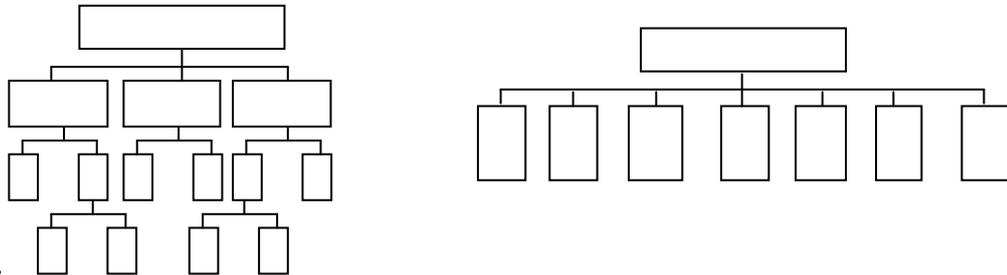


Fig. 5.3. High and flat structures of management

The *wide scale of controllability* assumes the greatest possible optimum quantity of subordinates at one head that allows to generate more "flat" structure of management with smaller number of links. It simplifies process of communications and cuts administrative expenses. With a view of reduction of administrative loading by the head process of decentralisation of system of management is carried out.

5.3. Sorts of traditional structures of management

The *linear structure of management* is a simple organisation in which all functions of management are carried out by one head. Such structure of management is used in small firms or in local industrial divisions of the large enterprises within the limits of the organisation of work of shops, brigades, lots. The linear organisation is characterised by relative simplicity of construction, one-dimensionality of communications (only vertical), wide specialisation of the head and assumes only small autonomy in work of divisions (fig. 5.4).

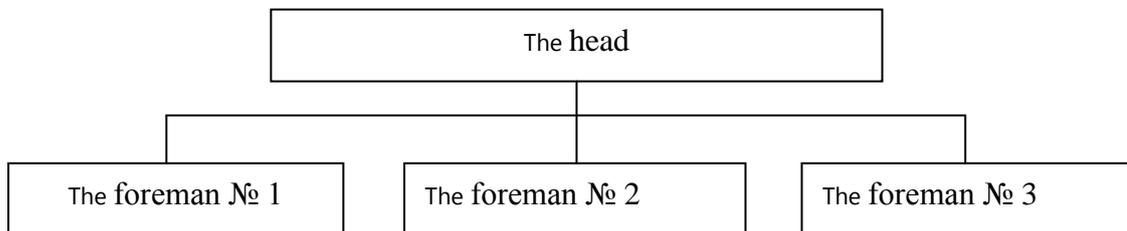


Fig. 5.4. The scheme of linear structure of management

Advantages of linear structure: a power concentration in hands of the uniform head, the supervisory control at the expense of centralisation of acceptance of administrative decisions, high controllability.

Lacks of linear structure of management: congestion широкого специализированного the head the information and necessity of independent performance of all administrative functions (mapping out, the organisation, motivation, the supervisory control, co-ordination), decrease in possibilities of acceptance of strategic decisions.

The *functional structure of management* is a structure of the organisation in which the system of functional parting of administrative work and straight submission of industrial divisions to functional heads within the limits of them компетенций is used. This structure has appeared in connection with development of specialisation of administrative works and has allowed to provide the further growth of the organisation at use of knowledge of the highly specialised workers responsible for realisation of separate functions of management (mapping out of activity of the enterprise, management of marketing, manufacture, the finance, sale and etc.).

One of features of functional structure is the system of dual submission of industrial divisions to heads of functional departments. In effect, this circumstance simultaneously has both advantage, and a lack. On the one hand, functional experts can influence directly activity of manufacture and, accordingly, operatively to solve arising problems. On the other hand, if between functional departments administrative decisions there can be contradictions are not co-ordinated adequately. Heads of shops will experience difficulties with realisation of decisions which are mutually exclusive. Therefore in such structure an important element of efficiency is the coordination of decisions between heads of functional departments. The scheme of functional structure of management is resulted on fig. 5.5.

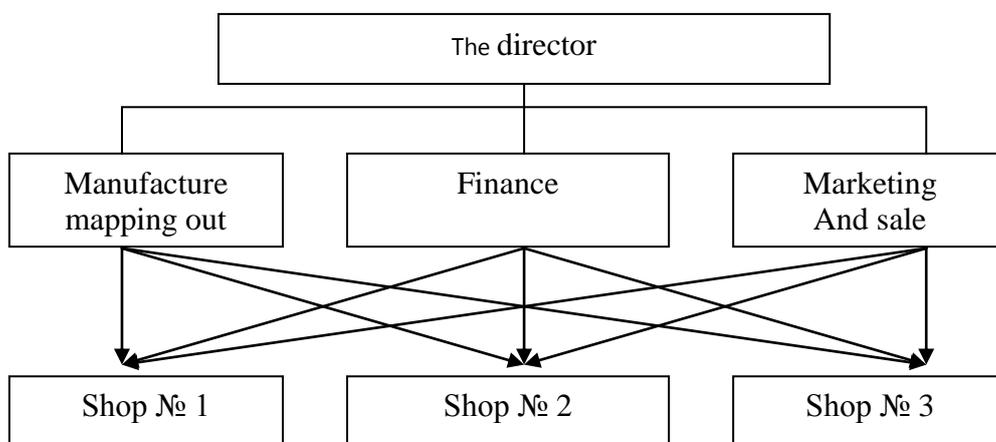


Fig. 5.5. The scheme of functional structure of management

Advantage of structure of management: growth of productivity of administrative work at the expense of functional specialisation, economy at the expense of simplification of preparation of narrow experts, increase of the qualified service of an industrial subsystem of the enterprise, operative decision-making.

Lacks of structure of management: development of the functionalism (superspecialization), leading to excessive development of vertical communications, loosening of horizontal interaction, isolation in work of divisions, congestion of the main head the running information and impossibility of acceptance of strategic decisions. Besides, the submission duality creates a problem «dualism распоряительства» when the subordinate does not know what order of the functional head to accept the first. The decision of this problem has led to creation of new structures.

The *linearly-functional structure of management* (linearly-staff) represents the combined variant of construction of structure of the management, based on use of a principle of unity распоряительства (A.Fajol) and functional parting of administrative work. In linearly-functional structure the problem «dualism распоряительства» dares by deprivation of functional workers (departments of mapping out, quality management, sale, the finance) the rights of acceptance of linear (administrative) powers and making fast of the last to the uniform linear head (the director, the production manager). The scheme of linearly-functional structure is resulted on fig. 5.6.

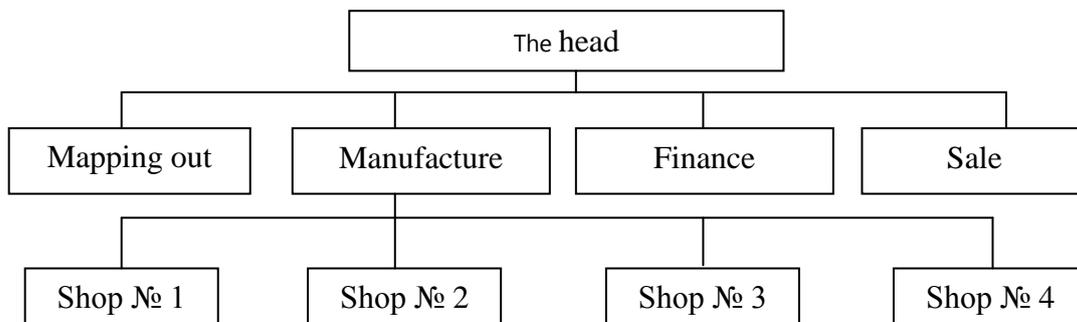


Fig. 5.6. Linearly-functional structure of management

In the given structure functional divisions carry out advisory functions and realise the offers concerning production management only through the linear head.

Advantage of linearly-functional structure: increase of autonomy of industrial divisions, growth of the organisation at the expense of specialisation of administrative workers, possibilities of the supervisory control of external changes in the market at the expense of creation of new functional departments, mass production development, a solution of a problem «dualism распоряительства».

Lacks of the given structure of management: a functionalism and administrative personnel growth, necessity of increase in size standard of controllability at growth of the organisation and controllability loss, excessive centralisation of the power of the head, congestion the running questions and narrowing of strategic possibilities.

Divizionalnye structures of management are characteristic for large corporations or the multinational companies in which territorial (grocery) dissociation of divisions compels to create grocery divisions (the separate enterprises), located in various regions and the countries. Construction дивизиональных management structures is focused on concrete result of activity: a product, the consumer and the market. In this connection distinguish three sorts дивизиональных structures: grocery, regional and focused on the consumer (fig. 5.7-5.9).

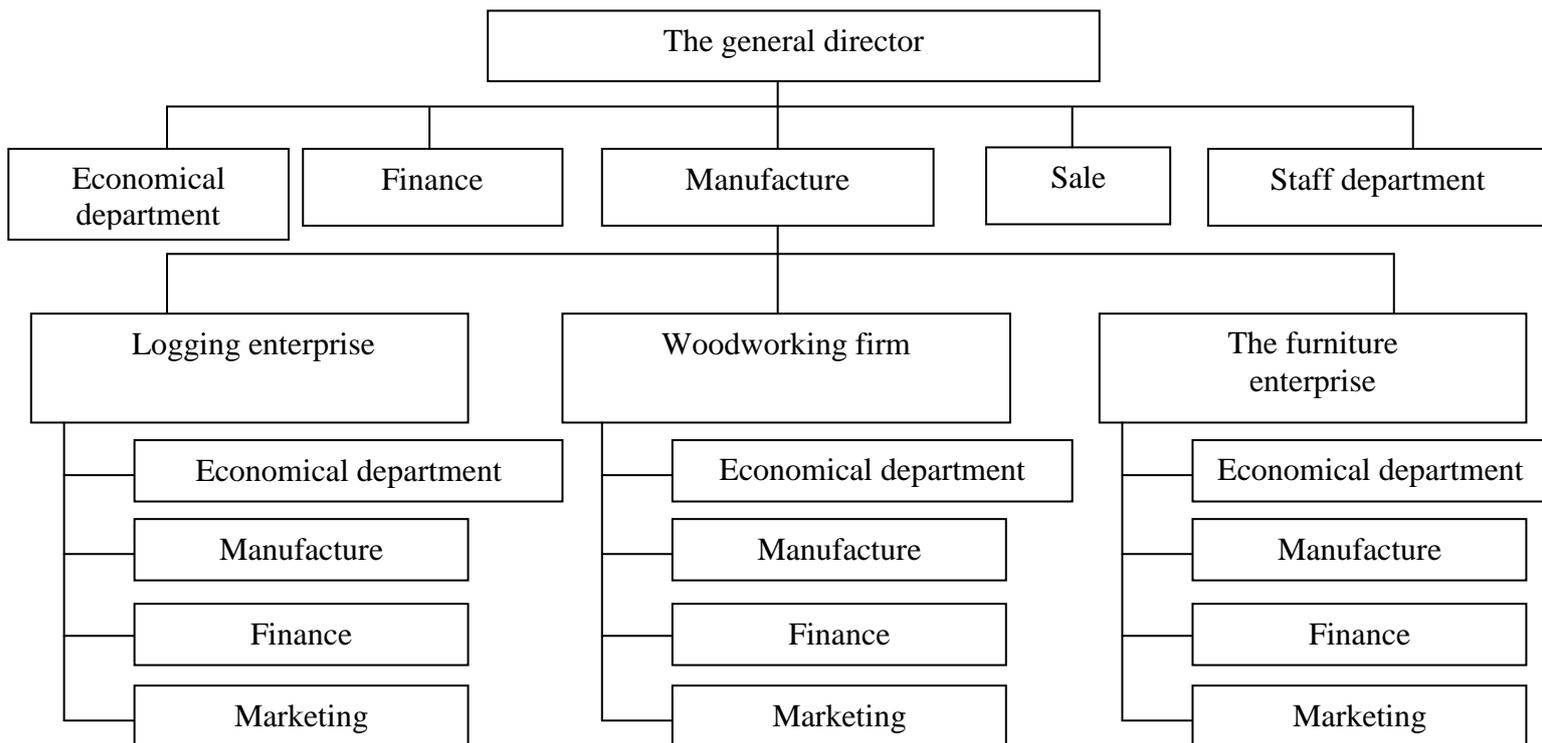


Fig. 5.7. Grocery дивизиональная management structure

Grocery and (or) regional divisions of the company possess enough high independence and have necessary staff of workers for working out and realisation of own strategy of development within the limits of the general corporate policy. They represent the separate enterprises or mills, spetsializiru-jushchiesja on manufacture and realisation of concrete production. In regional structures the separate enterprises are located in various regions or the countries. In the structures focused on the consumer, battalions carry out service of separate groups of buyers (the population, firms, the state enterprises).

Advantages дивизиональных structures: concentration of attention to a concrete product, the market, the consumer; possibilities of unlimited growth of scales of activity of the organisation; creation of the new enterprises in the company with own management; strengthening of competitive possibilities in the market.

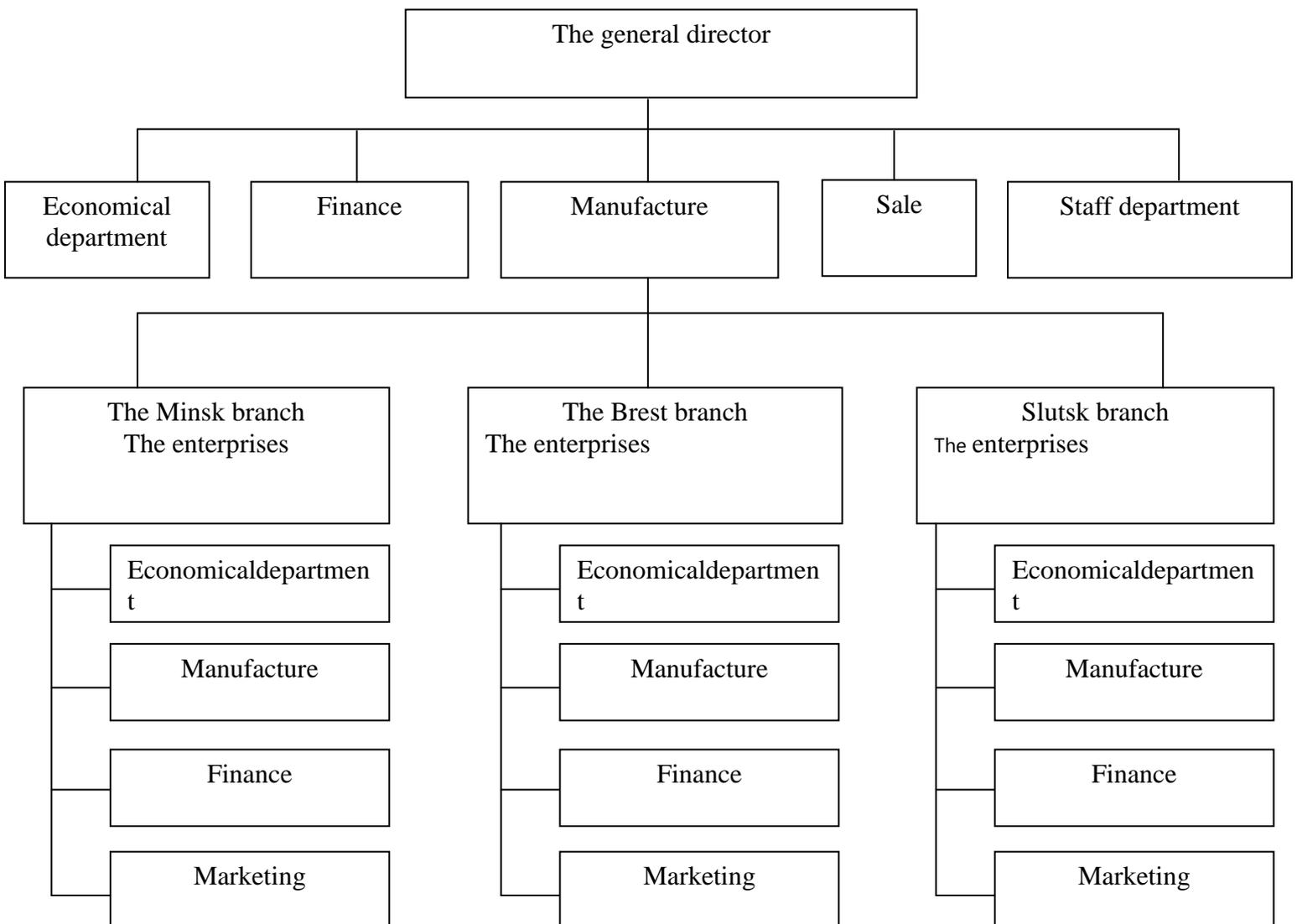


Fig. 5.8. Regional structure of management of the organisation

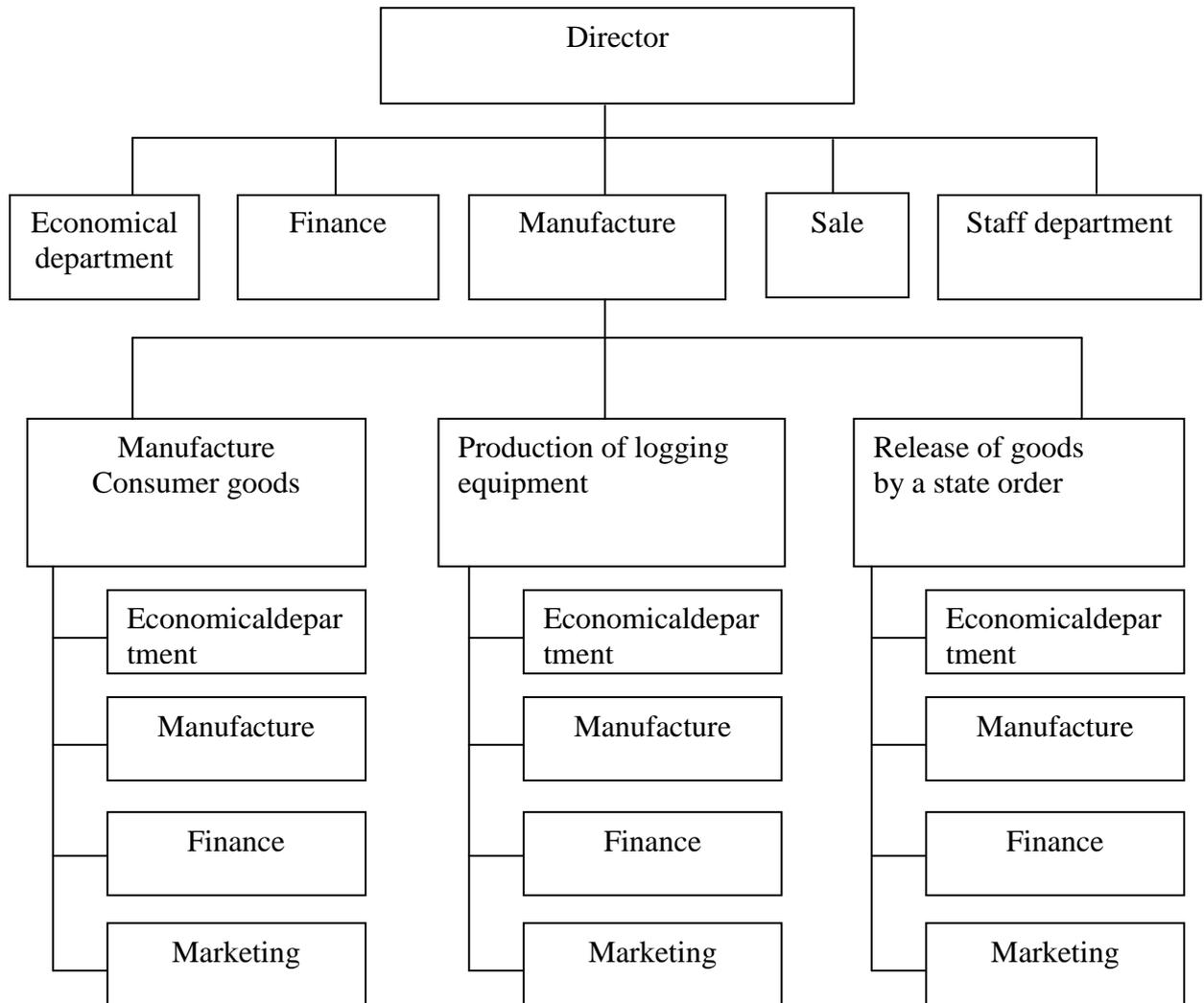


Fig. 5.9. the divisional structure focused on the consumer

Lacks the divisional structures: dub of administrative functions and growth of administrative expenses, distortion *общеорганизационных* the purposes in industrial (territorial) divisions, irrational distribution of the centralised resources of the organisation and conflicts between divisions concerning their distribution, controllability loss at considerable growth of quantity of grocery (regional) divisions.

5.4. Organic (adaptive) structures of management

The *matrix organisation*. For the first time the matrix organisations have appeared in electronic industry and other branches with high technologies. In the conditions of transition from national to the international competition there was a necessity of creation of such organizational structure which would allow to spend fast technological changes on the basis of maximum an effective utilisation of highly skilled labour. These possibilities have appeared at formation of the matrix organisations.

The *organisation of a matrix type* is the decentralised structure of management with narrower double specialisation of workers: grocery (management of the project) and functional. The essence of such specialisation consists that the organisation management can allocate the most active and qualified experts in смешенные the administrative teams working over the decision of important problems (working out of the strategy, new technology or production and etc.) and economically interested in the end result. It promotes realisation of innovations and improves competitive positions of such company.

Design, or programmno-target, the management structure is the time organisation created for working out and realisation of the new project, a product or new technology. Sometimes these structures name адхократическими (from Latin адhoc - special, target). Such structures are projected in the operating organisations which need perfection of separate elements of structure of management, a production technique.

As is shown in fig. 5.10, the design organisation represents a combination of traditional structure of management and the design group formed of operating employees of functional and industrial divisions. Such complex groups are provided by all necessary for working out and project realisation.

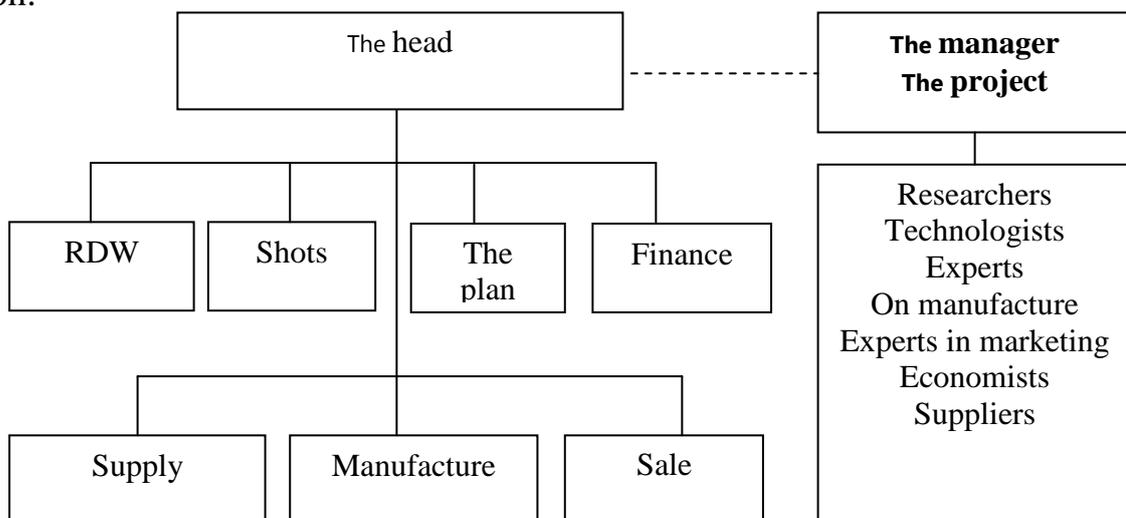


Fig. 5.10. The scheme of design structure of management of the organisation

The organisation, or group, on management of a new product is created at functional division and possesses certain autonomy and freedom in the organisation of the work. Employees of this group can independently get resources and distribute received production, to define parameters of the organisation of work, quality of the goods, maintenances of the equipment, carrying out of changes, employment and sometimes a choice of the head. Presence of such groups allows to simplify hierarchy in the organisation and to make structure of more dynamical. Prominent feature of structure is the double subordination - to the project head and the head of department in which frameworks the group works. At object in view achievement these groups are dismissed. Employees back come back in the former divisions from which they are allocated.

The *matrix structure of management* is the constantly operating organizational structure of management including one or several design (grocery) groups (fig. 5.11). Each command in such structure is allocated by necessary powers and resources for timely updating of a grocery ruler, manufacture and realisation of the goods in the market, constructions effective assortmentной politicians taking into account expectation of buyers.

The matrix structure always is a combination of two organizational alternatives - functional and grocery (design). In view of presence of a double subordination of employees of design groups - to the manager on a product and the head of functional division - balance maintenance between the functional and grocery head, definition of a clear boundary of their powers becomes the primary goal of the top management in these conditions. The design part of the matrix organisation is used for an establishment of the purposes, formation of plans and budgets of projects, their performance, and the functional part provides with necessary resources for the organisation and project realisation.

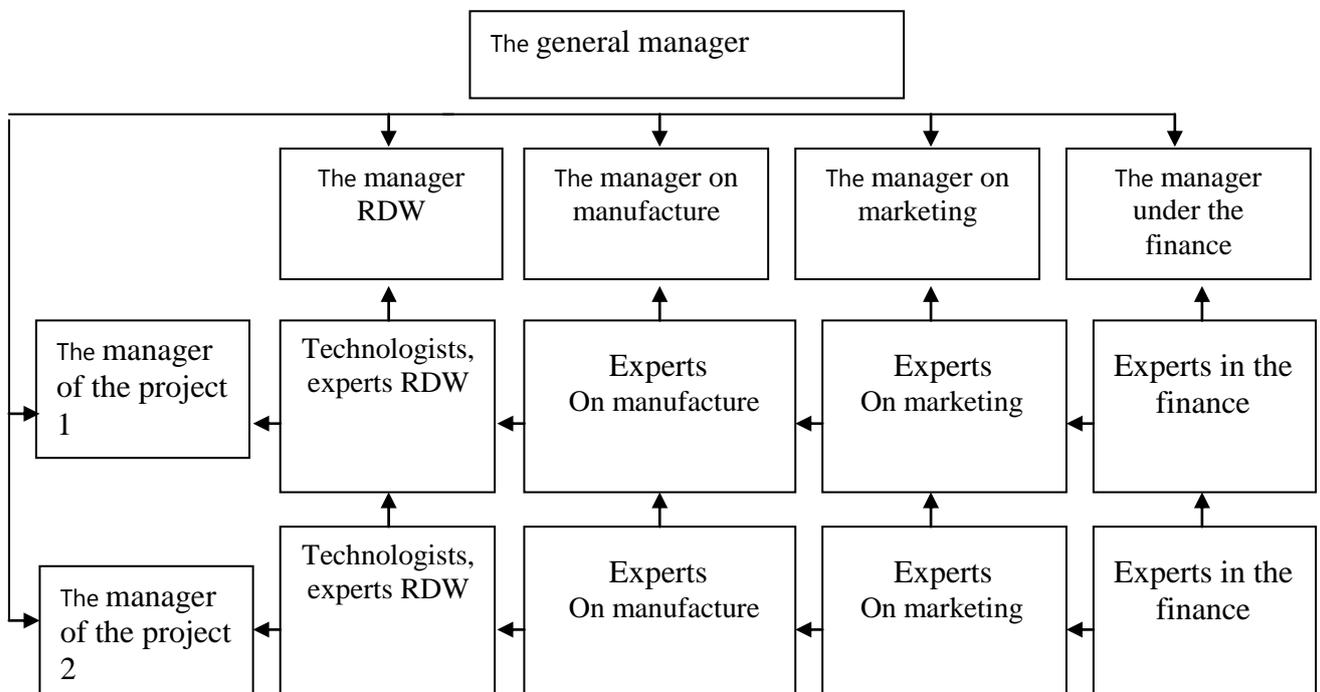


Fig. 5.11. The scheme of matrix structure of management

Advantages of the organisations of a matrix type are:

- ✓ Fast adaptation to changing external and internal factors of environment;
- ✓ Balance maintenance between interests of the consumer and necessity of economy of resources of the organisation;
- ✓ Maintenance of straight contacts between employees and open access to corporate information resources;
- ✓ Loosening of bureaucratic relations in department through linear submission of scientists and experts;
- ✓ Democratic standards of behaviour of heads and employees of the organisation.

Lacks of the matrix organisations are:

- ✓ Complexity of structure of management and system of communications between workers of the organisation;
- ✓ double subordination of employees of design groups;
- ✓ Occurrence of conflict situations because of indistinct distribution of powers;
- ✓ Race for power between functional and grocery heads of the organisation [20].

The effective system of motivation focusing employees on the end result allows to solve the problem parties of matrix structures of management. Increase in efficiency of such structures as, basically, and other organisations, it is reached at the expense of participation of workers in the property of the company or investment of personal savings in the business project realised in firm. It provides possibility of reception of the additional income on the invested capital and substantial increase of responsibility of the worker for result of successful realisation of the project.

New adaptive structures of management. New adaptive structures are a version of the design and matrix organisations. To them carry эдхократические, multidimensional (brigade), партисипативные, enterprise (market) and venture (innovative) intrafirm structures of management.

Edhokraticheskystructures of management are used in areas with the high and difficult technology demanding creativity, инновационности and effective teamwork. Workers of the given organisation are highly skilled experts in the business, relations on a vertical and a horizontal mainly have informal character, quite often there is no scheme of structure of such organisation. A key element in the given organisation is competence. The supervisory control in management is supported by an establishment of the

purposes usually strained. Means of achievement of the purposes are selected by executors. Everyone directly is responsible for the actions and the one who has become successful is remunerated.

Structures адхократической the organisations associate usually with the scheme of the concentric form (fig. 5.12).

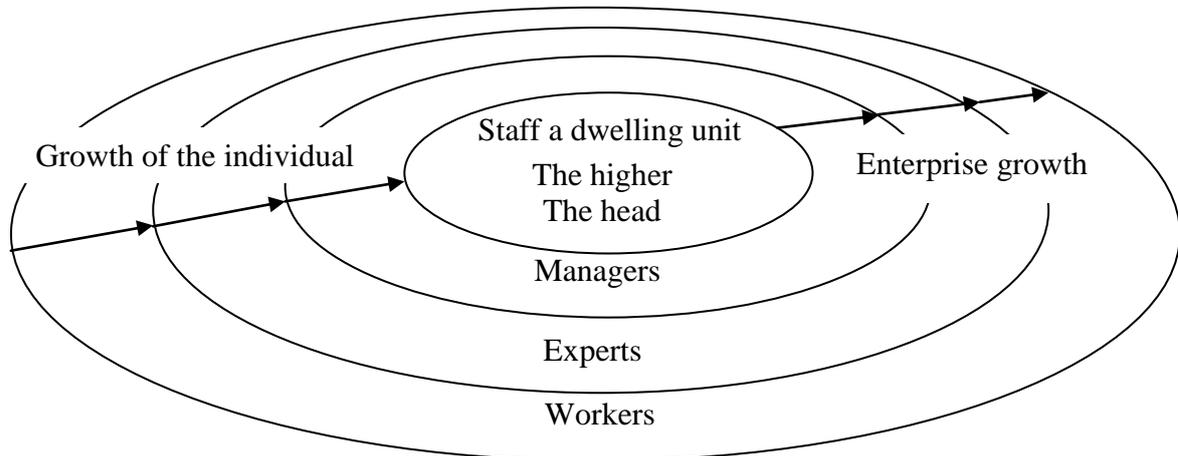


Fig. 5.12. The Skeleton diagramme edkhokraticheskyy the organisations

The circle for such organisation symbolises that all employees are at one level of management and between them partner relations and informal communications are formed, there is no hierarchy. All joint actions of managers, straight communications and corporate culture are directed on realization of the uniform purpose - success achievement.

Multidimensional structures of management are the organisations with plural specialisation of structural divisions of firm, each of which functions as the profit centre. The multidimensional organisations are guided not only by resources and results (two-dimensional matrix structure), but also on such variables, as territory, the market and the consumer.

Basis of the multidimensional organisation is the independent working group, simultaneously carrying out three problems:

- ✓ Maintenance of industrial activity with resources;
- ✓ Production for the concrete consumer, the market or territory;
- ✓ Service of the concrete consumer, the market, territory.

In the multidimensional organisation budgets of divisions are developed by divisions, and the organisation management only invests in them means and gives money in loans. Independent groups usually receive the status of the centre of profit or business centre, can sometimes be the independent companies. In the multidimensional organisation of the relation of

independent group with a management and with other divisions differ nothing from relations with the extraneous client, i.e. are under construction conditions of purchase and sale of the goods.

Example of the multidimensional organisations are the brigade structures having the cellular form of construction of the working centre where the necessary technics concentrates, and all brigade takes part in manufacture of a product from initial to a final stage. Most typical the given structure for the large Japanese companies in which separate branches let out to the complete set-jushchie and sell to their other divisions of parent firm.

The *partisipativnye organisations* - the organisations constructed on participation of workers in management. Participation in management assumes: participation in decision-making, in an establishment of the purposes and the decision of problems. It is realised by means of a telescoping of offers by workers of firm, development of alternatives and a final decision choice. Participation in management is carried out in the form of work of special councils of scientific and technical, technical and economic and administrative character. Decisions of such councils quite often happen obligatory for those heads at whom they are created. The structure of such councils includes, as a rule, persons from the head of a subordinate control link following level. Some councils are entrusted with the estimation and approval of activity of the head accountable to them. However the right needs to be dismissed behind a higher management. The given structures are effective only at achievement of certain level of organizational culture and ethics.

The *enterprise organisations* are focused on fast change of an external environment and characterised by small quantity of levels of management, flexibility and network construction. Their structures have the form of the turned pyramid (fig. 5.13).

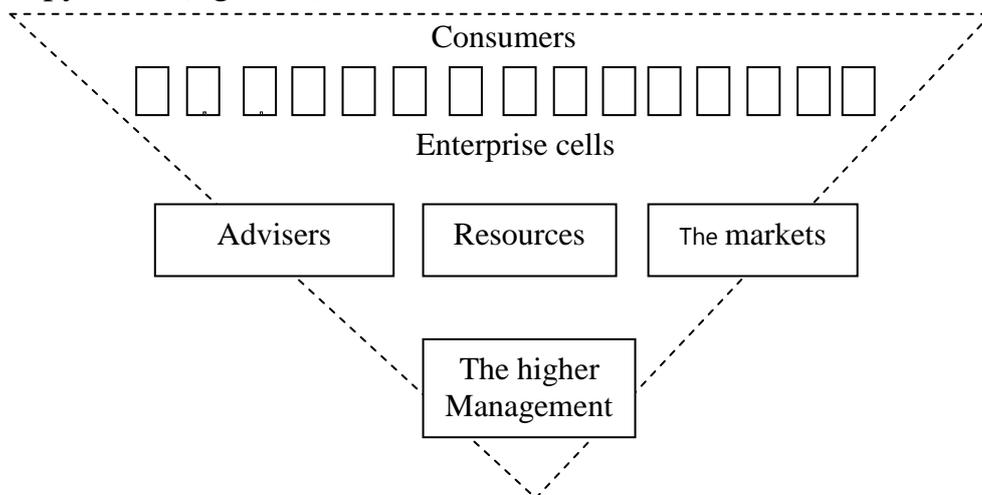


Fig. 5.13. The scheme of enterprise structure of management

The management main task in such organisation - all-round support of efforts of the workers who are carrying out business dealing instead of the traditional supervisory control. Such structural construction of the enterprise organisation turns her face to the consumer that allows to react to change of its preferences flexibly.

Venture and innovative structures of management - the organisations focused on working out of new technologies, the goods or services (in transfer with English venture - brave business, the enterprise). The venture enterprises exist as independent firms or are created in the form of separate divisions on working out of a new product in structure of the large companies. They possess the big freedom of action by working out of the project (product), but obligatory restriction - to keep within the budget and terms of their working out. Intrafirm innovative divisions are created within the limits of linearly-functional or дивизиональных management structures. As a rule, they are constructed by a principle of the matrix organisation or have the unstructured form stimulating innovations [20].

5.5. A choice, an estimation and perfection of organizational structures of management

The choice of this or that organizational structure is influenced by many factors: environment, strategy, technologies, the sizes of the organisation, size standard of controllability and etc. Mainly, formation of structure of management by the organisation is carried out on the basis of the strategy of development selected by a management as it considers influence of external and internal factors. The basic organizational strategy are subdivided into three sorts: strategy of intensive growth, strategy of moderate growth, reduction strategy.

The first strategy demands the working out of organic structure of management quickly adapted for environment and new technologies. The second strategy can be realised at a combination of mechanistic and organic structures of management. The third - is realizable within the limits of mechanistic structures of management. The more movably and more difficult environment, the more considerably requirement of the organisations for organic structures of management.

The most widespread variant in the leading foreign companies (IBM, a Chrysler, Dzheneral Motors, etc.) is use of advantages of mechanistic and adaptive structures.

Calculation of system effectiveness of management of E_u is carried out under

the following formula:

$$\Theta_y = \frac{\Theta_c}{\Theta_n} = \frac{3_y / C_\phi}{B_{\text{ч.п}} / \Psi},$$

Where E_s - profitability of a guidance system; Θ_n - production efficiency; the Storage - expenses for management, rbl.; C_ϕ - cost of the cores and enterprise circulating capitals, rbl.; $B_{\text{ч.п}}$ - a gain from realisation or cost conditionally-net production, rbl.; Ψ - number of the industrial and production personnel, the people

The guidance system effectiveness ratio (Θ_y) has inversely proportional value, i.e. the it more low, the above profitability and efficiency of management [16].

The integrated indicator is applied to definition of organizational effectiveness of management:

$$K_{\text{э.с.у}} = 1 - \frac{Q_y \cdot L_{\text{ч.п}}}{F_M \cdot E_{\text{оф}}}, \quad (5.2)$$

Where $K_{\text{э.с.у}}$ - effectiveness ratio of structure of management; Q_y - expenses for the management, having on one administrative worker, rbl. / the people; $L_{\text{ч.п}}$ - relative density of number of administrative workers in an aggregate number working; F_M - фондвооруженность (cost of the cores and the circulating assets having on one working), rbl. / the people; $E_{\text{оф}}$ - фондоотдача (conditionally net production having on unit of the cores and circulating capitals).

The basic directions of perfection of organizational structures of management:

- ✓ Optimisation of size standards of controllability;
- ✓ Simplification of mechanistic structure by reduction of levels of management and transition from high to more flat organisations at the expense of delegation of powers (decentralisation);
- ✓ Replacement of mechanistic structures of management by the organic. It is the revolutionary way demanding presence of the strong leader;
- ✓ Creation of organic structures or divisions within the limits of the mechanistic organisation. For example, formation of design group on working out of a new product within the limits of linearly-functional or дивизиональной management structures;

✓ Creation of the conglomeratic structure including various sorts of organizational structures within the limits of large диверсифицированной of the company;

✓ Formation modular (атомистических) the organisations created and liquidated by large firms as required. In such structures there will be no administrative submission, and they will be focused on exhaust of a non-standard product and work with the separate consumer [22].

Realisation of these directions of re-structuring of the enterprise assumes gradual replacement of traditionally operated and hierarchical systems of management by more flexible adaptive structures of management which are based on modern information technology, wide independence and high responsibility of workers of the organisation, their material interest in the end results, organizational culture and ethics of management.

6. ACCEPTANCE OF ADMINISTRATIVE DECISIONS

6.1. Concept about administrative decisions and their sorts

Work of the modern manager first of all is connected with process of a substantiation and realisation of decisions. In effect, the *administrative decision* is a choice of the best from among available alternatives of development of the enterprise, distribution and use of its restrained resources. *Process of acceptance of administrative decisions* represents set of purposeful, consecutive, interrelated and interdependent actions of the managers providing realisation of administrative problems or functions.

Together with process of information support (communications), decision-making is an integrated part of management of any kind organisation, defining efficiency of last. Competence in the field of decision-making distinguishes the good manager from the bad.

The *organizational decision* is a choice which the head for performance of the functions should make. The purpose of the organizational decision - maintenance of movement of division or the organisation as a whole to tasks in view.

Allocate following sorts of organizational decisions:

✓ *programmed decisions* - result of realisation of the certain in advance programmed sequence of steps for choice alternatives from restrained number of possible variants within the limits of laid down by the aims organisation. At acceptance of such decisions it is possible to develop preliminary algorithm of decisions (programming), raising thereby efficiency of a choice. For example, decision-making on a choice of bank for deposit opening;

✓ *Not programmed decisions* are applied in situations which in a certain measure are new, internally are not structured or connected with set of unknown factors. To number of not programmed decisions carry a choice of the purpose of the organisation, production improvement, perfection of structure of management;

✓ *Intuitive decisions* is the choice made the head on the basis of only sensation of its correctness. Making of the intuitive decision, the manager is not engaged in conscious weighing of all pro's and con's on each alternative. It can lower quality of decisions, but is considerable increase speed of their acceptance that in the conditions of the market can be the important competitive factor;

✓ *decisions based on judgements*, is the choice caused by knowledge or saved up experience. The manager uses knowledge that happened in

similar situations earlier to predict result of alternative variants of a choice in an existing situation;

✓ *Decisions-compromises* are decisions which combine interests of the organisation and other interested parties (workers, managers, proprietors, management state structures). The alternative selected by a management can have lacks and in this case the main task of the manager will counterbalance contradictions;

✓ *Rational decisions* - do not depend on last experience and are proved by means of objective analytical process, the basic stages and which characteristics are considered more low.

6.2. Process of acceptance of rational decisions

Acceptance of rational decisions – is the process including variety of consistently carried out steps, necessary for a choice of the optimal administrative decision from a great number of available alternatives.

Allocate following basic stages in model of acceptance of rational decisions (fig. 6.1):

✓ *Problem diagnostics* - an establishment of the first symptoms of difficulties or available possibilities. Low profit, sale, productivity, quality, excessive costs, conflicts and turnover of staff can be problem symptoms;

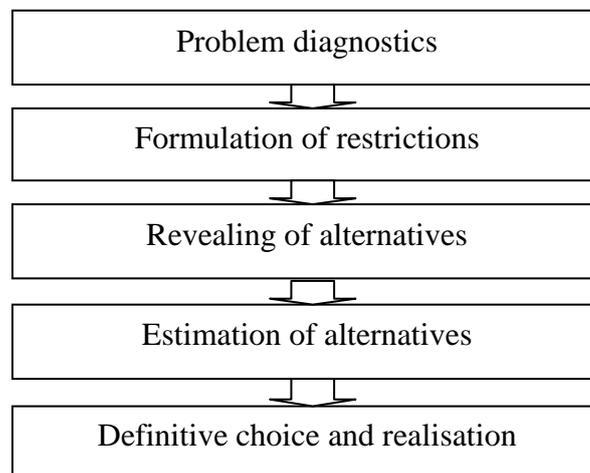


Fig. 6.1. Stages of model of acceptance of rational decisions

For revealing of the reasons of occurrence of a problem it is necessary to collect and analyse the required internal and external information - can gather formally and informally;

✓ *formulation of restrictions and criteria* of decision-making which define presence of sufficient resources (financial, technical, personnel and etc.) for a solution of a problem. Except restrictions, it is necessary for head to formulate criteria of decision-making (profitability, design, cost, productivity, etc.) on which alternatives will be estimated;

✓ *Definition of alternatives* - search of available alternative variants of decisions and their restriction to the comprehensible quantity, subject to more detailed estimation;

✓ *estimation of alternatives* assumes the complex analysis of advantages and lacks of each of estimated variants of decisions and definition of possible general consequences for the enterprise;

✓ *alternative choice* - the management selects that variant of the decision which possesses optimum results. The optimum decision combines comprehensible indicators of economic efficiency with necessity of social development of labour collective of the organisation.

Important element of process of acceptance of rational decisions is formation of the gear of their realisation. At the heart of such gear the operational planning and supervisory control system (weekly, monthly, quarterly), motivational relations and feedback lies. *Feedback* - receipt of the data that occurred before decision realisation, obespechiva-jushchih possibility of a timely correcting and damage minimisation. Feedback through function of the supervisory control [18] is realised.

6.3. The factors influencing decision-making process

Decision-making process in the modern organisations is considerably more combined in relation to considered above model owing to action of set of various external and internal factors. Decision-making process is influenced by personal estimations of the head, a risk level, time and a changing environment, information and behavioural restrictions, negative consequences and coherence of decisions.

The *system of values of the head* defines value judgment by the head of importance, quality or the blessing. Valuable orientations of the head influence a way of decision-making. Researches show that at the American managing directors the system of values has an obvious warp towards economy, a policy and a science in a counterbalance to social and aesthetic aspects.

The *decision-making environment* influences their quality:

✓ decision is accepted in the conditions of definiteness when the head precisely knows result of each of alternative variants of a choice;

✓ decision is accepted in the conditions of risk when results are not defined, but the probability of result is known. The probability will be defined, if enough information that the forecast has appeared statistically authentic arrives;

✓ decision is accepted in the conditions of uncertainty when it is impossible to estimate probability of potential results of decisions. It takes place, when factors demanding the account are so new and difficult that it is impossible to receive enough relevant (pertinent) information.

Information restrictions. Often enough necessary the information is inaccessible to acceptance of the optimum decision or too expensive. The manager should weigh objectively costs for more information with benefits from acceptance of more optimum decision.

Behavioural restrictions. Decision-making process is influenced by numerous psychological factors and personal features of managers. According to researches, heads of various departments, as a rule, make different definition of the same problem and possible directions of its permission.

Negative consequences. Acceptance of administrative decisions always is art of a finding of the compromise. The prize in one almost always gets to the detriment of another. For example, production improvement of quality leads to increase in costs that can lower appeal of a product to the final buyer.

Interdependence of decisions. In the organisation all decisions are interconnected and interdependent from each other. Acceptance of the individual important decision demands a significant amount of other supporting decisions (a tree of decisions) that allows to achieve successful and timely result [21].

The modern head should analyze influence considered above factors on quality of decisions and to diversify system of management methods for increase of their efficiency.

6.4. Concept about modelling. Decision-making models

In system of acceptance of administrative decisions modelling is widely used. The *model* is a representation of object of research (system or idea) in some form which is distinct from the object, but copying its behaviour. For example, the organisation scheme is the model representing its structure.

The reasons of use of model is natural complexity of many organizational situations, impossibility of carrying out of experiments in real life

and orientation to the future. Modelling - the unique by this time systematised way to see variants of the future and to define potential consequences of alternative decisions by their comparison.

Allocate three basic types of models:

✓ *physical model* - represents object of research by means of the increased or reduced faithful reproduction;

✓ *analogue model* - represents investigated object analogue which behaves as real object, but does not look as that (the scheme of organizational structure of management, the schedule of dependence of costs from volume of output and etc.);

✓ *mathematical model* - uses symbols and mathematical functions for the description of properties or object or event characteristics (function of linear programming). Mathematical models are most often used models at acceptance of organizational decisions.

Process of construction of model includes following stages:

✓ Problem statement;

✓ Model construction;

✓ Model check on reliability;

✓ Model application;

✓ Model updating.

The basic problems in modelling use are doubtful initial assumptions, information restrictions, fear of users and their excessive cost.

In management following basic models are applied.

The *theory of games* - a method of modelling of impact of the made decision on behaviour of competitors. It was originally used by military men. In business game models are applied to forecasting of reaction of competitors for changes of the prices, exhaust of the new goods and etc.

The *model of the theory of turns*, or model of optimum service, is used for definition of optimum number of channels of service in relation to requirement for them. The model consists in an equilibration of expenses on a secondary service and losses from service below optimum as a part of buyers in the presence of turn refuse goods purchase.

The *storekeeping model* is used for definition of time of placing of orders for resources and their quantities, and also finished goods volume. Maintenance of a high stock rate relieves of the losses caused by their shortage. However these benefits are overlapped by additional costs on storage, linkage of circulating capitals and etc. the management Problem - to calculate an optimum stock on size standards of a raw materials consumption and time of its delivery.

Model of linear programming apply to definition of an optimum way of distribution of scarce resources in the presence of competing requirements. The basis of model of linear programming is made by the criterion function directed on maximisation of profit (utility) or minimisation of costs.

Sham modelling - working out of the model simulating behaviour of real system, allowing to study influence of external factors on behaviour, properties and model characteristics. For example, the model, allowing to simulate an expected gain of productivity and profit as a result of application of certain technology of motivation.

The *economic analysis* is a model of comparison of incomes and expenses for definition of efficiency of activity of the organisation.

The typical economic model - the analysis of a point of break-even (break-evenpoint - BEP) - designates a situation at which the aggregate profit (totalrevenue - TR) becomes to equal total costs (totalfixedcost - TFC).

$$TFC = BEP \cdot (P - VC).$$

$$BEP = TFC / (P - VC).$$

So, for example, if the goods price (P) makes 10 thousand rbl., variable costs on product unit (VC) - 8 thousand rbl., and total constant costs (TFC) - 1000 thousand rbl. the minimum break-even volume of output and sales of goods will make: $BEP = 1000 \text{ thousand rbl.} / 2 \text{ thousand rbl. / piece} = 500 \text{ pieces}$

The model allows a management to establish, what volume of production should be sold to cover constant costs and to reach profitability of the project.

6.5. Methods of acceptance of administrative decisions

Almost any method of decision-making used in management, it is possible to consider as a modelling version. However the considered models concern methods of general character. In addition to modelling there is a number of the special methods allowing to the head more objectively to prove the decision for choice of optimum alternative.

The *payment negative mould* - one of methods of the statistical theory of the decisions, allowing to select from several variants by preset criteria the strategy to the greatest degree promoting achievement of the purposes.

The central link of a payment negative mould is definition of expected value of alternative. Expected value of alternative, or a strategy variant, is the sum of products of expected results on corresponding probabilities of

their achievement. At calculation of expected value the sum of probabilities should be equal 1,0.

For example, if on the basis of the spent statistical analysis it is defined that investment of means in the enterprise action № 1 gives the income of 1 million rbl. with probability 0,2 and 500 thousand rbl. with probability 0,8, and the enterprises № 2 - according to 2 million rbl. with probability 0,1 and 300 thousand rbl. with probability 0,9.

Result of calculation of expected values:

Negative mould:

Strategy 1 $1000 \cdot 0,2 + 500 \cdot 0,8 = 600$ thousand rbl.

Strategy 2 $2000 \cdot 0,1 + 300 \cdot 0,9 = 470$ thousand rbl.

As show the calculations, the first strategy gives reception possibility *большого* values of the expected income and is preferable in comparison with an alternative variant.

The *tree of decisions* is a schematic representation of a problem of decision-making. As well as the payment negative mould, a tree of decisions gives the chance to the head to consider various alternative directions of actions and to correlate expected financial results with probability of their achievement, and then to compare alternatives. By means of a tree of decisions it is possible to construct more a difficult situation when results of one decision influence a choice of the subsequent administrative decisions. Within the limits of the given method expected value of the alternative, allowing to select the best variant of the decision also pays off.

The situation for choice strategy about expansion of manufacture of various sorts of the goods taking into account expected growth of demand for them (fig. 6.2) can be an example of use of a tree of decisions.

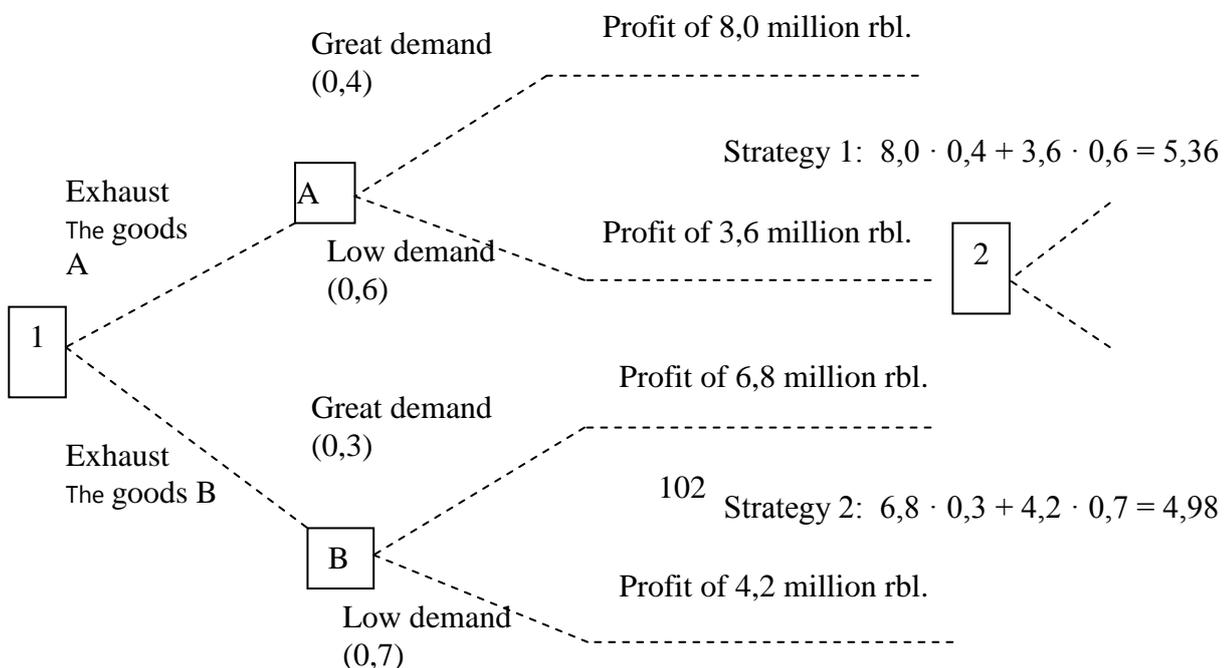


Fig. 6.2. A tree of decisions for choice alternatives

In the course of acceptance of administrative decisions the substantiation of expected result (the income, profit) and probabilities of their achievement is carried out by means of system of methods of forecasting.

Allocate three groups of methods of forecasting.

First, **quantitative methods of the analysis** are used for reception of statistically authentic tendencies or dependences proceeding from the fact sheet about events in the past.

There are two typical methods of quantitative forecasting: the analysis of time numbers and causal (causally-sledstven th) modelling.

The *analysis of time numbers*, or trend displaying, it is based on an assumption that tendencies of change of predicted indicators in the past give good enough approach in an estimation of the future changes. It is a method of extrapolation of the data which allows to make with certain accuracy the forecast of the estimated factor for the future period with use of linear function of dependence. It is applied at forecasting of demand, production volumes of output, an estimation of requirement for stocks of raw materials and materials, changes of costs, profits and etc.

Causal (cause and effect) modelling - математически the difficult quantitative method used in situations from more than one variable. Forecasting is carried out by research of statistical correlation dependence between the considered factor and other variables. The given dependence is reflected by means of difficult mathematical functions (полиномиальная, logarithmic). For example, by means of such mathematical functions it is possible to reveal seasonal variations of demand and more correctly to make the organisation business plan for development on immediate prospects.

Secondly, for definition of results of activity of the organisation **qualitative methods of forecasting** are used.

To qualitative methods of the analysis carry:

✓ *estimation of opinion of jury* - poll of employees of various divisions on which base the decision is made;

✓ *method of Delfi*, or a *method of expert estimations*, is многотуровая procedure of questioning of independent experts in which result they come to a common opinion. The main feature of a method - anonymity of experts;

✓ *brainstorming" method* - a method when participants at first try to generate as much as possible ideas and after that make their estimation. During procedure of generation of ideas it is forbidden to criticise or deny any opinions and ideas of participants;

✓ *estimation of cumulative opinion сбытовиков* - forecasting of sales volume on the basis of poll of opinion of skilled trading agents, representatives of wholesale and retail trade;

✓ *model of expectation of the consumer* - is based on results of poll of buyers of production of the organisation concerning their future requirements and requirements.

Thirdly, in system of forecasting of activity of the organisation allocate also ***informal methods of the analysis***:

✓ *Gathering of the verbal information* - search of the oral information on the external environment, received from radio- and telecasts, from consumers, suppliers, competitors, at trading meetings, in the special organisations, from advisers, lawyers, etc.;

✓ *analysis of the written information* - the information received from official sources (newspapers, magazines, bulletins, reports);

✓ *Industrial espionage* - illegal data gathering about actions of competitors from informal sources [18].

The combination of various methods of the analysis allows to collect operatively the necessary information for realisation of the qualitative forecast and acceptance of economically well-founded decisions.

7. THE INFORMATION AND COMMUNICATIONS IN SYSTEM MANAGEMENT

7.1. Essence and sorts of communications. Influence of communications on management efficiency

In the course of communications the information is transferred from one subject to another. As subjects separate persons, groups and even the whole organisations can act. In management system interpersonal communications which are carried out by transfer of ideas, the facts, opinions, feelings and relations from one person to another in oral, written or other form (gestures, a pose, tinter of a voice, transfer time, надосказанность and etc.) for reception in the answer of desirable reaction are widely presented.

"The communications" term occurs from Latin «communis» that in transfer means "general" or "generality" transferring and receiving the information. *Communications* can be defined as transfer of sense and value of the information by means of certain symbols. Communications and the information various, but the concepts connected among themselves. Communications include also that (information) is transferred, and how it "that" is transferred (communications process). Therefore for communications realisation presence, at least, two people who in the course of administrative interaction come to general understanding of sense of the transferred information or a sounded problem is required.

Communications between the organisation and its environment. Now there is a wide spectrum of various means for communications of the organisation with an external environment. On the one hand, it is system of transfer of various documents and reports to the state supervising structures (tax, customs services, fund of social protection of the population, the insurance organisations, committee on statistics and the analysis and etc.). On the other hand, information transfer to potential consumers is carried out by means of advertising and other programs of advancement of the goods on the market, maintenance of good image of the organisation is reached at the expense of adjustment of effective public relations.

Mezhurovnevye communications in the organisations. The information moves in the organisation from level on level within the limits of *vertical communications*. It can be transferred on *descending*, i.e. from the management highest levels to the lowest. Such way the management informs subordinates on the running problems, priorities, the concrete tasks, recommended procedures and etc. Besides a swap on descending, the or-

ganisation needs communications on the ascending. *Communications on ascending*, i.e. from below upwards, carry out function of the notification of a management that becomes at the lowest levels of management. Thus, managers receive the information on the running problems and offer possible variants of their decision. One their last administrative innovations in communications on ascending creation of *circles of quality* – groups of workers which regularly gather for discussion and the decision of problems in manufacture or service of consumers is.

Communications between various departments. In addition to information movement on an organisation vertical need *horizontal communications*. The organisation consists of set of various divisions between which it is necessary to adjust information interchange for co-ordination of problems and actions. In these purposes such forms as joint meetings, meetings, committees, target groups etc. Additional benefits from communications across consist in formation of the equal relations influencing satisfaction of workers can be used.

Informal communications. It is possible to name the channel of informal communications the channel of distribution of hearings. As on channels of hearings the information is transferred much faster, than on channels of the formal message, heads use the first for mapped out leakage and distribution of the certain information. Researches show that the information transferred on channels of the informal message, i.e. hearings, appears exact, instead of deformed is more often.

Nonverbal communications. The information sent by the sender without use of words as system of coding, forms the nonverbal message which underlies nonverbal communications. According to last researches, the effect of interpretation of the information on 55 % depends on a look, a pose and gestures, and on 38 % - from intonation and voice modulation. On transfer of sense by words there are only 7 %. Thus, how we speak, has more great value for understanding, than words which we say. The nonverbal message is shown unconsciously, at level of emotional perception of the information.

At an estimation of importance of communication processes in the organisation it is possible to notice that the modern manager spends from 50 to 90 % of time for realisation of the role in interpersonal relations, decision-making processes, functions of mapping out, the organisation, motivation and the supervisory control, i.e. for communications. Thus, information interchange (communications) is built in all sorts of administrative activity and is *connecting process*.

Quality of information interchange directly influences quality of performance by the manager of the basic functions of management, a formulation and realisation of the organizational purposes. It means that *effective* communications play a key role for achievement of success of individuals and the organisations. Foreign researches show that 73 % of the American, 63 % of English and 85 % of Japanese heads consider communications by the main obstacle in a way of achievement of efficiency of their organisations. Therefore the modern manager should be effective, first of all, in communications. Such managers represent an essence of communication process, possess well developed ability of oral and written dialogue and understand, how environment influences information interchange [18].

7.2. Elements and stages of communication process

Communication process is an information interchange between two or more people. A main objective of communication process - maintenance of understanding of the information which are a subject of a swap, i.e. messages. However the fact of information interchange does not guarantee efficiency of dialogue and understanding between participants of communication process. Therefore for increase of efficiency of communications it is necessary to study more detailed making elements and stages of process of communications.

In the course of information interchange it is possible to allocate four base elements:

1. The *sender* is the person generating ideas, collecting and handing over the information.
2. The *message* - actually transferred information coded by means of certain symbols.
3. The *channel* is a transmission medium of the information.
4. The *addressee* - the person to whom the information is intended and which interprets it [18].

At information interchange the sender and the addressee pass some interrelated stages. Their problem – to make the message and to use the channel for its transfer so that both parties have understood and have divided initial idea. The basic stages of communication process are that: idea origin, coding and a channel choice, message transfer, decoding (fig. 7.1).

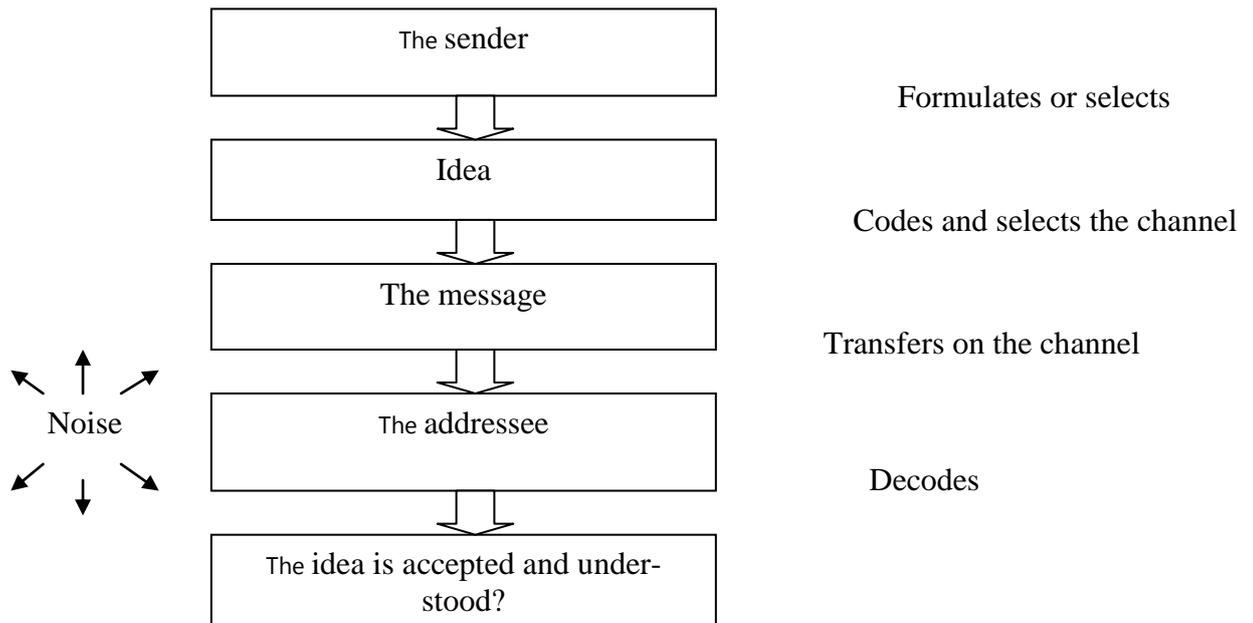


Fig. 7.1. Simple model of communication process

Idea origin. Process of communications begins with a formulation of idea or selection of the necessary information. The sender makes the decision concerning the message maintenance. Unfortunately, many attempts of information interchange in the organisation break at this first stage as the sender does not spend sufficient time for idea considering.

Coding and channel choice. Before transfer of the message the sender should code idea by means of symbols: words, intonation and gestures (body language). Such coding transforms idea into the message. The sender also needs to select the channel compatible to a type of symbols, used for coding. The speech transmission concerns some well-known channels and written materials, and also electronic communication facilities, including computer networks, e-mail, video tapes and videoconferences.

Message transfer. At the third stage the sender uses the channel for delivery of one or several messages to the addressee. It is a question of physical transfer of the message which many people by mistake and accept for process of communications.

Decoding – is transfer of symbols of the message transferred by the sender, in thought of the addressee. The main task of this stage is achievement of understanding of sense of the message. From the point of view of the head, it is necessary to consider information interchange effective if the subordinate has shown understanding of idea, having made the actions expected by the head.

Feedback. In the presence of feedback the sender and the addressee change communicative roles that promotes substantial increase of efficiency of a swap by the administrative information.

Noise. In the theory of information transfer noise name factors which deform sense of the message. Noise sources (a difference in perception, the status of the worker, etc.) can create barriers on an information interchange way reduce efficiency of communication process. Therefore the head by transfer of the administrative information should consider possible sources of noise and reach the best understanding of sense of the message. For this purpose, as a rule, it can ask specifying questions to be assured that the subordinate has correctly interpreted sense of the decision [8].

7.3. Sorts of communication parting layers

Communication parting layers are subdivided on interpersonal and organizational.

Parting layers in interpersonal communications. Sources of noise (parting layers) distinctions in perception, processes of coding and decoding, semantic hindrances, nonverbal communications and other factors complicating exact information transfer between individuals can be.

The *barriers caused by perception.* One of such barriers arises because of the conflict between fields of competence of the head and the subordinate, and also bases of judgements of the sender and the addressee. It grows out of the various got experience in the relation of the decision of those or other problems. The information conflicting to our experience, it is frequent or it is completely torn away, or it is deformed according to this experience.

One more reason of difficulties of perception in the course of communications consists inexistence of the barriers caused by social installations of people. At mistrust to subordinates the head can receive trimmed volume of the information. Information streams and accuracy of the information, on the contrary, grow in trust atmosphere.

Semantic parting layers. For understanding achievement each other at information contact various symbols which words, gestures and intonations concern are used. Semantics studies a way of use of words and the values transferred by words. Semantic variations often become the reason of incorrect understanding. For example, when the head says to the subordinate that the report is represented "adequate", probably, he means its conformity of an object in view. However the subordinate can decode a word "ade-

quate" in the sense that the report usual and demands considerable improvement.

Nonverbal barriers. As it was already marked, the considerable part of the speech information at a swap is perceived through language of poses and gestures and voice sounding. As well as semantic parting layers, cultural distinctions at a swap of the nonverbal information can create considerable barriers to understanding. For example, having received from the Japanese the card, she needs to be read at once, differently he can think that you consider it as the insignificant person.

Bad feedback. In the absence of feedback concerning the sent message it is impossible to establish, whether the message accepted by the addressee is valid, is interpreted correctly. Effective feedback it is possible to reach asking questions or having forced subordinated to retell the received message, and also by the supervisory control of the first results of work.

Inability to listen. Effective communications assume exact interpretation of the message by the sender and the addressee. Misunderstanding each other can be result of inability to listen. Auscultation of the facts and feelings is an auscultation of the message completely. By message transfer nonverbal messages of the sender should speak about the valid relation to the addressee, consider possible semantic parting layers, assume mapping out of communication process, show an openness and empathy (the attention to feelings of other person) then the message completely will be possible is heard by the addressee and correctly understood.

Parting layers in organizational communications is a possible distortion of the information by its transfer between levels of management, distinction in experience and the status of heads of the higher and local link, information overloads, irrational structure of management.

Distortion of messages. When the information moves in the organisation upwards and downwards, the sense of messages can be deformed that is caused by a number of the reasons. First, messages can inadvertently be deformed owing to difficulties in interpersonal contacts. Conscious distortion of the information occurs, when any manager does not agree with the message and changes it in the interests. Secondly, the information can be deformed owing to a filtration. The requirement to filter the message appears to distribute information streams on different divisions. According to one research, only 63 % of the maintenance of the information sent by board of directors, reached vice-presidents, 40 % – to chiefs of shops and 20 % – to workers [18].

Heads of the top echelon possess higher status, therefore there is a tendency to supply them only positively perceived information. It is espe-

cially shown in the organisations where the management uses a policy of mutual recriminations and search guilty of arising problems. In such situation because of threat of punishment the subordinate does not inform the head on potential danger or a problem as «does not wish to inform bad news to a management».

Information overloads. Barriers on information interchange ways can arise because of an overload of channels of communications. At high centralisation of the power the head should solve set of questions therefore it can be not able to effectively react to the running information. In the presence of such problem decrease in information loading on the head that is provided at the expense of decentralisation of the power, formation of the special target groups (commands) which are carrying out the help in decision-making is required. Such groups are created from leading experts of various divisions who work as a uniform command. Optimum number of target groups makes 5-10 persons. Efficiency of their work in many respects depends on level of the delegated powers on working out, realisation of decisions and to control.

Unsatisfactory structure of the organisation. At increase in scales of activity of the organisation and formation of numerous levels of management the probability of information distortions as managers of various levels of management can correct and filter transferred from top to down (or, on the contrary, from below upwards) messages increases. For the decision of this problem in some most effectively operated organisations aspire to minimise quantity of levels of management, and also to use channels of rather straight information swap: corporate sites, e-mail, an automatic control system. In such adaptive structures the management refuses traditional hierarchy in favour of straight and informal contacts [20].

7.4. Directions of perfection of communications

Regulation of information streams. Heads at all levels of the organisation should represent information needs of various structural divisions.

Administrative actions. The head can practise short meetings with one or several workers for discussion of the future changes, new priorities, work distributions.

Mapping out and the operative supervisory control. Discussion and clearing of new plans, variants of strategy, the purposes and the appointments necessary for more effective realisation of mission, the supervisory control of a course of works under the plan-schedule, reports by results of such supervisory control – here the additional actions subject to the head.

Feedback system. One of variants of system of feedback – moving of people from one part of the organisation in another for the purpose of discussion of certain questions.

Poll of workers – one more variant of system of feedback. Such polls can be spent for the purpose of reception of the information from heads and workers on set of questions: whether the purposes of their activity are accurately finished to them; they face what potential or real problems or can face; whether they receive the exact and timely information necessary for them for work; whether their head for offers is opened; whether they are informed on future changes which will be reflected in their work.

Systems of gathering of offers. Systems of gathering of offers are developed for unweighting of receipt of the information upward. All workers receive thus possibility to generate the idea, concerning perfection of any aspect of activity of the organisation (boxes for offers, a private telephone system, target groups, committees).

Newsletters, publications and organisation videorecordings. The review of offers concerning management, on themes of health protection of the workers, the new contract, a new sort of production or services, a selection «the worker of month», answers of a management to questions of ordinary employees.

Modern information technology (e-mail, and etc.) gives the chance to workers to direct videoconferences messages to any person in the organisation irrespective of a site, operatively to solve arising problems in a mode of real time [18].

8. STYLES OF THE MANAGEMENT

8.1. Traditional grading of management styles

The word "style" of the Greek origin that in transfer is meant by "handwriting", i.e. a certain manner of the reference of the head to the subordinate. Styles and management methods exist in unity. Style of a management serves as the form of realisation of various management methods (organizational-rasporjaditelskih, economic, socially-psychological), providing effective process of achievement of the purposes of the organisation.

Style of a management is a set concerning steady system of ways, methods and forms of practical activities of the manager, and also a manner of behaviour with subordinates in the course of preparation and realisation of administrative decisions.

Considering personal, is subjective-psychological characteristics of the person each head has the, only to it inherent individual style of a management. For the first time grading of styles of a management was offered by K. Levin who has allocated authoritative, democratic and liberal (anarchical) styles. Now the given differentiation of styles is considered traditional grading.

Authoritative (автократический) style of a management assumes use of high centralisation of the power in hands of the head, declutching of the gear of self-management by assignment to itself the rights of the general supervisory control, a large-scale of a regulation of activity of subordinates and certain moral pressure upon them, discharges of workers from process of development of decisions. Within the limits of the given style strict observance or own orders (rigid authoritative style), or various instructions (bureaucratic management style) is required. In case the bureaucrat avoids straight compulsion and supposes employees to development of some decisions, applies moral encouragements then speak about favourable authoritative or pseudo-democratic style of a management.

The head-lawyer is characterised by conservatism and stereotype of thinking, is unduly careful at perception of all new and practically always uses the same methods. The maintenance of its activity consists of orders, commands and orders, obligatory for execution. Even placing of people in the course of meetings is repaired ideologies автократа which holds all in sight (fig. 8.1).

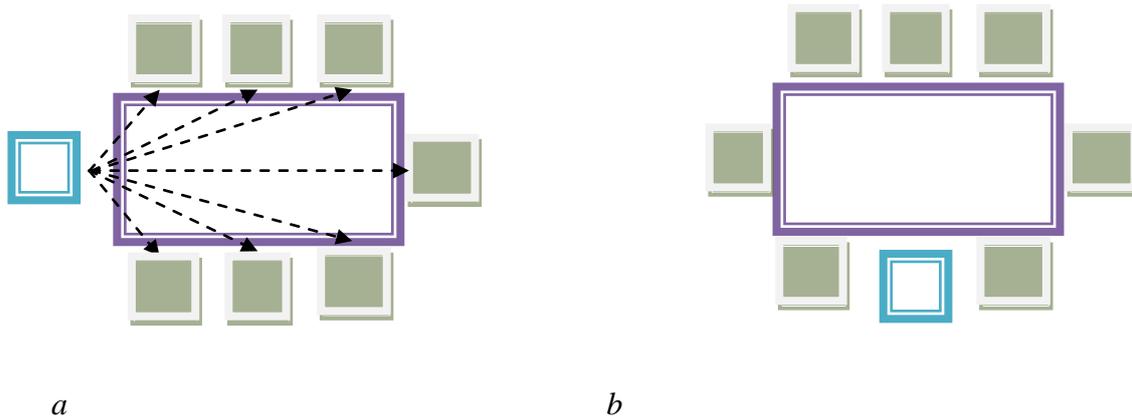


Fig. 8.1. The General lay-out of a workplace of heads:
a–autocrat; b- the democrat

Authoritative management style is used in conditions when subordinates are characterised by low general and professional culture. Under авторката it is unpleasant to work, employees do not have satisfaction work as their creative power does not find applications.

Democratic style of a management assumes application of a joint method of decision-making and is characterised by influence on requirements of the highest levels, *ненавязыванием* own will of the head subordinate, grantings of wide independence by subordinate and possibilities to develop own decisions, presence of the supervisory control of activity of the head from workers of the organisation. The Head-democrat is extremely polite and benevolent in dialogue with subordinates, is in constant contact, trusts people and delegates it a part of administrative functions, openly discusses a state of affairs in the organisation and correctly reacts to criticism.

Democratic style of a management is used in a situation when employees are characterised by high qualification, by responsibility and professional culture, are adjusted on rendering assistance to the head in the decision of key administrative problems. With a view of creation of effectively operated organisation in due time reacting to external changes, the manager should create conditions for initiation and application of innovations. With such head it is pleasant and interesting to work, it is exacting enough, but is fair.

Liberal style of a management is characterised by non-interference of the head to collective activity, granting by subordinate of full freedom to definition of the purposes, a choice of means of their achievement and self-checking realisation. Such head is polite enough and ready to cancel earlier

made decision if it threatens its popularity. Distinguishes heads-liberals lack of initiative, meaningless execution of higher directives. Softness in relations with people prevents it to get real authority that reduces productivity and efficiency of administrative activity of the liberal head.

Researches of foreign scientists have revealed certain dependence between results of work and style of a management. The good results are noted in the organisations with democratic style of a management, and the lowest - with liberal and authoritative heads [16, 27].

8.2. Gradings of styles of a management within the limits of an administrative lattice of Blake- Mutton

In 1964 Blake and J. Mutton have offered new grading of styles of a management in the form of an administrative lattice (ГРИД) in which ranging of styles is carried out by criteria of care of the personnel and manufacture on a nine-mark scale.

The concrete type of style of a management within the limits of administrative lattice ГРИД is based on system of assumptions concerning ways of use of the power and powers in interests of integration of the personnel for successful achievement of the purposes of the organisation.

Allocate five basic styles depending on individual properties of behaviour of heads:

9,1 - the *power of the head* - high requirements of the head on achievement of results of industrial activity (9 points) are combined with low level of care of the personnel (1 point). Such head is exacting to subordinates, individually makes decisions, painfully concerns criticism;

1,9 - the *organisation as «country club»* - the minimum interest of the manager to industrial activity (1 point) is combined with the maximum care of workers (9 points). Such head *большее* gives attention to development of friendly relations between employees (even to the detriment of production efficiency), is attentive to people, is pleasant in dialogue, is sociable that often does not approve the top management;

1,1 - *«poverty of management»* - the head shows the minimum interest to manufacture and subordinates, taking of a position of the detached onlooker, it *безынициативен* and shows activity only at threat occurrence to own position;

5,5 - *"golden mean"* - a combination of uniform care of manufacture and about people, but not to the full. Such manager leans against the standard values, opinion of the top management, the approved initiative, combines a praise and criticism;

9,9 - *work as a command* - assumes the maximum care of manufacture and the personnel, maintenance of a favorable psychological climate, stimulation of the initiative of workers and their participation in management of the organisation.

In system GRID together with the basic styles of a management allocate following additional styles:

✓ *paternalism* - feeling creation «a uniform family» where employees care of themselves;

✓ *Opportunism* - strengthening of own position and influence of the head with use of various means and methods;

✓ *φασαδιζμ* - real desires of the head to possess the power mask shown aspiration to be the among subordinates, dividing their needs and a problem [16, 27].

As a whole the model shows all variety of management styles.

8.3. Models of adaptive style of a management

Situational model of Fidlera. In 1965 F.Fidlerom is offered model of behaviour of the head in which efficiency of its activity is defined by an arising situation.

The style choice is defined by following circumstances:

The developed relations between the head and subordinates (loyalty of the personnel, mutual confidence, appeal of the person of the manager and etc.);

The problem put before workers (structure, novelty for collective, clearness of statement);

The powers of the head defined in volume of resources which it can use for encouragement of subordinates, and the support rendered to it from the formal organisation.

According to three characteristics it is possible to define eight possible situations, numbered in process of decrease of their appeal to the head (tab. 8.1).

Table 8.1

Management style choice at situation change

| Relations with subordinates | Problem | Powers | Situation | Overall performance of the manager focused on | |
|-----------------------------|----------------------|------------|-----------|---|-----------|
| | | | | Manufacture | personnel |
| The good | It is structured | The strong | 1 | | |
| | | The weak | 2 | | |
| The bad | It is not structured | The strong | 3 | | |
| | | The weak | 4 | | |
| | It is structured | The strong | 5 | | |
| | | The weak | 6 | | |
| | It is not structured | The strong | 7 | | |
| | | The weak | 8 | | |

According to Fiedler, for increase of efficiency of style of a management the manager needs independently to try to change a situation for creation of more favorable conditions by means of formation of the special working commands most suitable on structure for the given head, a redesign of a problem facing workers, updating of powers of the head concerning use of material encouragement of the personnel, its participation in the organisation property.

The *theory of life cycle of Hersey - Blanchard*. The model of grading of management styles has been developed in 1982. As criterion for a style choice in its life cycle of "maturity" of subordinates is offered. The personnel maturity is defined by its desire to reach an object in view, ability to be responsible for own and collective actions, formation and experience of the decision of problems of a corresponding type. In the theory authors allocate four levels of a maturity: low, moderately low, moderately high, high.

Depending on a maturity of operated collective the head should apply following management styles:

✓ *Instructions* - the style assuming unavailability subordinated to incur responsibility in this connection their head should direct and supervise;

✓ *Sale* - the head gives to subordinates of the instruction and at the same time keeps development in them aspirations to incur responsibility;

✓ *Participation* - attraction of highly skilled experts to panel process of development and decision-making;

✓ *Delegation* - corresponds to a high maturity of collective and assumes investment with its corresponding powers for the decision of problems, non-interference to activity of subordinates.

The basic lacks of the given model are absence of a method of measurement of a maturity, the indistinct and simplified grading of styles, absence of practical acknowledgement.

Model of decision-making of Vrum - Jetton. The model offered in 1973, allocates five styles of a management depending on degree of participation of subordinates in decision-making: 1st style - the head himself makes the decision; 2nd style - the head receives the information from subordinates and itself the decision makes; 3rd style - the head listens to offers of subordinates and then itself the decision makes; 4th style - each of subordinates personally makes the offers, and then the head individually makes the decision; 5th style - all together put forward and estimate alternatives and make the decision on the basis of a consensus [21, 27].

At a choice of effective management style the primary goal of the head is the competent estimation of potential possibilities and requirements of workers, their involvement and responsibility for results of work. The correct motivation of the personnel involves satisfaction work and provides its efficiency.

9. SOCIAL RESPONSIBILITY AND ETHICS OF MANAGEMENT

9.1. A business role in society development

In the beginning of XX century some heads of the large companies considered that the organisations should use the resources with benefit for a society. For example, Andrew Carnegie engaged in a steel making has enclosed 350 million dale. In social programs also has constructed more than 2000 public libraries. John Rockefeller has offered 550 million dale. Also has based welfare fund. The first actions such have laid the foundation for the approach which is till now object of disputes.

Now there are two various points of view on, how the organisations in relation to the public environment should behave to be considered *socially responsible*.

One them them assumes that the organisation is socially responsible in case as much as possible increases profit, without breaking laws and size standards of state regulation, i.e. pursues only economic targets. In this case the organisation carries out economic function of production and the services necessary for a society with market economy, ensuring functioning simultaneously for citizens, profit for shareholders and taxes for the state for which account the social sphere is supported.

According to other point of view, the organisation in addition to economic responsibility is obliged to consider human and social aspects of impact of the business activity on workers, consumers and local population, and also to bring the certain positive contribution to the decision of social problems of a society as a whole. The organisation is a part of an external environment, and its survival in many respects depends on the relation to her of a society. Therefore the organisation should counterbalance purely economic targets with social interests of environment.

The first concepts of social responsibility of the organisations have started to be formed in the middle of XX century At this time there was H.Bouena's thorough work «*social responsibility of the businessman*» where it has proved that use of the concept of social responsibility and comprehension of the social purposes in business practice can bring social and economic gains to a society, together with the business at the expense of more loyal relation of buyers.

In different spheres of a society there was an active interest to such problems, as the civil rights, equality of women, pollution of environment by a waste of the industry and an inhabitancy condition as a whole, and al-

so консьюмеризм – movement of consumers that should affect social policy of the organisations.

Occurring changes in an environment have generated certain notions that the organisation should be a respectable member of a society and responsibly operate in such numerous spheres as inhabitancy protection, public health services and safety, human rights, protection of interests of the consumer and etc. It will create preconditions for positive perception of model of business from an external environment and will provide an organisation sustainable development [18, 21].

9.2. Social and legal responsibility

By consideration of a problem of social responsibility and ethic behaviour of the organisation it is necessary to distinguish concepts of legal and social responsibility. *Legal responsibility* is understood as organisation following to concrete laws and the size standards of state regulation defining frameworks of behaviour of the organisation. The organisation submitting to these laws and normatives, behaves in legally responsible image, but to consider its socially responsible not always legally.

Social responsibility, unlike legal, mean certain level of the voluntary response to social problems from the organisation. For example, (building of schools, kindergartens, the help to invalids and etc.) it is possible to name participation of the organisation in programs of development of social sphere socially responsible behaviour as the legislation does not oblige the organisation to arrive thus.

Advantages of social responsibility:

- ✓ Favorable prospects for business development. Social actions form more attractive image of the enterprise at consumers, suppliers and local population that in long-term prospect can stimulate profit growth;

- ✓ Change of requirements and society expectations. *The* decision of social problems becomes necessary for rupture reduction between new expectations and the real response of the enterprises to requirements of buyers and societies;

- ✓ Presence of resources for rendering assistance. As the state not always has necessary resources for the decision of social problems, the organisations can transfer a part human and financial resources to social needs;

- ✓ Moral obligations. The enterprise is a member of a society and should operate the behaviour, adhering to size standards of morals as laws cannot capture all cases of life.

Lacks of social responsibility:

- ✓ Infringement of a principle of maximisation of profit;
- ✓ Additional expenses on a social involvement;
- ✓ Insufficient level of the reporting *before a society*;
- ✓ Absence of ability to resolve social problems.

The main obstacle of realisation of programs of social responsibility heads name requirements of ordinary workers and managers to increase the running incomes. The aspiration to profit increase forces heads to refuse transfer of a part of resources on programs of social responsibility.

However successful management assumes ability presence to adapt and respond to problems of social development. The matter is that expenses on social responsibility are justified by the fact of perfection of various segments of a society, and also improvement of the relation of the public to firm. It should guide to increase of loyalty of consumers to manufacturers of production, improvement of the legal environment and a general condition of a society.

Nevertheless all it is clear that profit - a basis for a survival of the enterprises. For any organisation on the first place there is a survival and only then - the decision of problems of a society. If the enterprise cannot work profitable the question on social responsibility becomes excessive.

9.3. Ethics and modern management

At the heart of a problem of social responsibility and ethics of management there are personal values and level of culture of people. One give high value of maximisation of profit, efficiency and to rigid following to the law and low value - to altruism. Such people consider that the organisation behaves correctly while its actions answer the given system of values. To make a choice of certain model of behaviour, it is important to know about the ethics of management defining correct and wrong behaviour.

Ethics of business focus attention to the purposes of ethic behaviour and the means of their achievement used by managers. As practice shows, it is a lot of examples of ethic and unethical behaviour of the organisations. According to magazine "Fortune", from the middle of 70th of XX century about 2/3 from among the largest companies in this or that form behaved illegally.

Example of doubtful ethics are actions of company "Maine-country houses" which blocked decades the data, testifying that asbestos dust inhalation kills workers of firm. Finally the court recognised the company guilty of conscious aversion of protective measures for health of people and

has obliged to translate 80 % of the actions in corresponding fund for payment of indemnifications to the victim [18].

Besides the senior heads often showing unethical corporate behaviour, any person in the organisation can operate also unethically.

Heads of the enterprises carry to the reasons of expansion of unethical practice of business management:

- ✓ competition which pushes aside ethical reasons;
- ✓ Aspiration to reception of short-term profit;
- ✓ Absence of compensation for ethic behaviour;
- ✓ General decrease in value of ethics in a society;
- ✓ Pressure from the organisation on ordinary workers for the

purpose of a finding them of the compromise between personal values and values of heads.

9.4. Improvement of indicators этической behaviour

The organisations undertake different measures with a view of increase этической behaviour of heads and ordinary workers. Working out of ethical normatives, creation of committees on ethics, carrying out of social audits and training concern such measures to ethic behaviour.

Ethical normatives describe system of general values and a rule of ethics which workers of the organisation should adhere. Ethical normatives are developed for the description of the purposes of the organisation, creation of normal ethic atmosphere and definition of ethical recommendations in decision-making processes.

To the variants of behaviour usually forbidden by ethical normatives, bribes, extortion, gifts, payment to the accomplice of a part of illegally received money, the conflict because of collision of interests, infringement of laws as a whole, swindle, disclosing of secrets of firm, use of the information received in confidential conversation from members of group, illegal payments to the political organisations, illegal behaviour for the sake of interests of firm concern. Usually the organisations lead up ethical normatives to the workers in the form of printing materials though some create working groups under ethical normatives.

Committees on ethics. Some organisations create standing committees for an estimation of daily practice of following to ethical standards in management. As a rule, almost all members of such committees – heads of the highest level. Some organisations employ the expert in ethics of the business which problem consists in judgement development on the ethical questions connected with actions of the organisation.

Social audits are offered for an estimation and drawing up of reports on social influence of actions and organisation programs. Adherents of social audits consider that reports of this kind can testify to level of social organizational liability. So, for example, in annual reviews of magazine "Fortune" with the list most and the least dear companies, for an estimation of their actions the index «civil responsibility and inhabitancy» as an element of the cumulative scheme of ranging of positions of the enterprises in the market is used.

Training to ethic behaviour. With a view of increase of indicators этической behaviour of the organisation also can use training system to ethic behaviour of managers and ordinary employees. Thus workers acquaint with ethics of a business management and raise their susceptibility to ethical problems which they can face in the course of practical activities. In modern conditions, taking into account importance of ethics of management, practically in all university programs of training studying of such subject as ethics that also are one of modes of study to ethic behaviour thanks to what trained start to understand better these problems is entered and to behave more responsibly [18].

10. FORMATION OF ORGANIZATIONAL CULTURE

10.1. Essence and the maintenance of organizational culture

The organizational culture is a basis of vital potential of the organisation and defines for the sake of what people become its members as relations between them are under construction, what steady size standards and principles, beliefs and values in life and activity of the organisation they divide. In the organisations with the settled organizational system of relations the culture in the certain plan separates from people and becomes attribute of the organisation, its part having active impact on behaviour of the personnel. It defines modern interest of management to a problem of formation and development of organizational culture.

The *organizational culture* is treated as the organisations accepted mostly philosophy and ideology of management, the assumption, valuable orientations, beliefs, expectations and the size standards underlying relations and interactions both in the organisation, and behind its limits.

Allocate two principal views of organizational cultures: subjective and objective.

The *subjective organizational culture* starts with samples of assumptions divided by workers, belief and expectations, and also from panel perception of an organizational environment with its values, size standards and the roles existing out of the person. Here include a number of elements of "symbolics": heroes of the organisation, myths, stories about the organisation and its leaders, organizational taboos, ceremonies and rituals, language of dialogue and slogans. The subjective organizational culture is a basis of formation of administrative culture, styles of a management.

The *objective organizational culture* is the physical environment created in the organisation: design of a building, an enterprise site, the equipment and furniture, colour, amenity, cafeteria, a room of reception of clients, parking, cars.

The maintenance of organizational culture. There are many approaches to allocation of the various elements characterising and identifying this or that culture. F.Harris and R.Morgan allocate ten basic characteristics of organizational culture:

- ✓ Comprehension of and the place in the organisation;
- ✓ Communication system and dialogue language;
- ✓ Exterior, clothes and representations of on work;
- ✓ food of people, habits and traditions in this area;
- ✓ Comprehension and time use;

- ✓ Mutual relations between people;
- ✓ Values and norms of behaviour of people;
- ✓ Belief in ideals;
- ✓ Development and training of the worker;
- ✓ Labour ethics and motivation.

The maintenance of relations of organizational culture, according to V.Sate, influences an orientation of behaviour and is defined by set of base assumptions, and also communications between structural elements of culture and samples of behaviour (fig. 10.1).

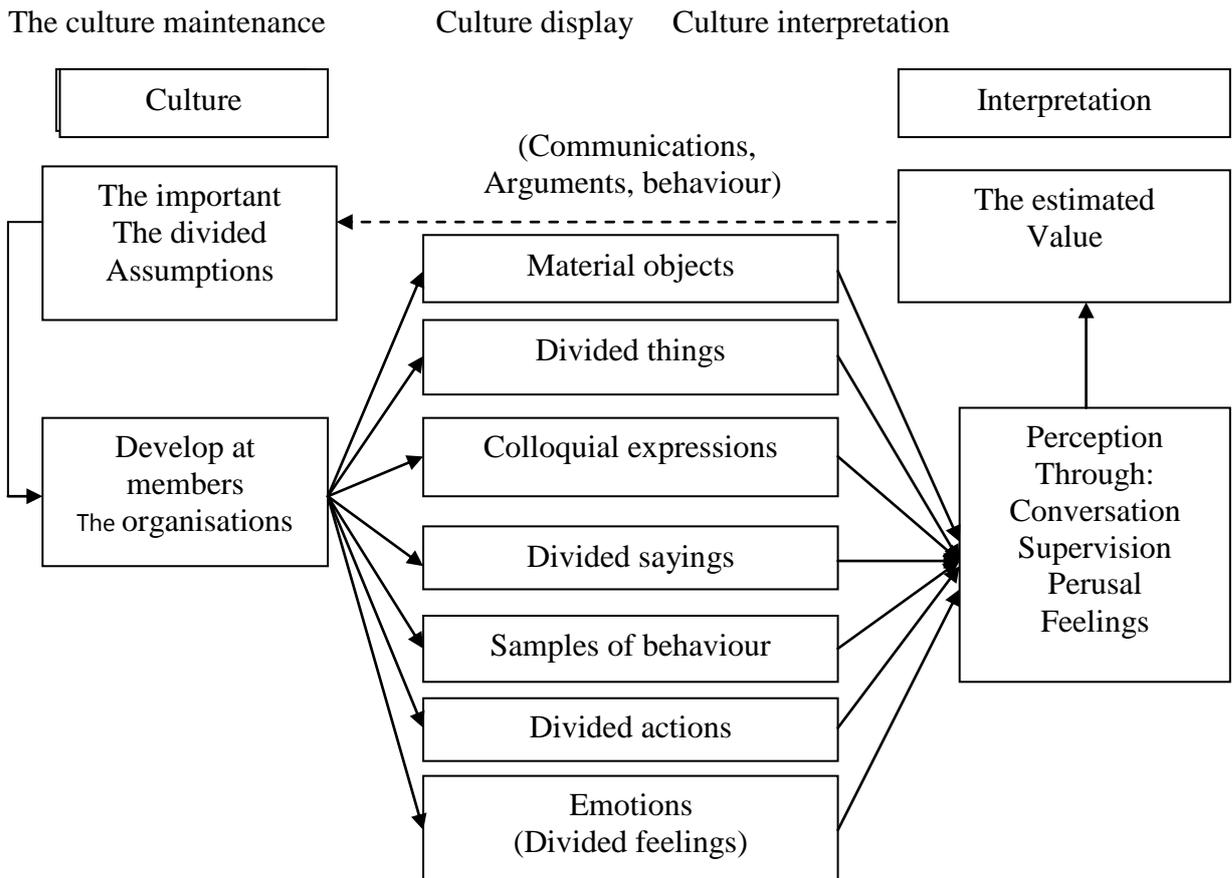


Fig. 10.1. The maintenance of relations of organizational culture (on V.Sate)

Distinctive feature of this or that culture is the relative order in which base assumptions forming it settle down that specifies on prevailing a policy and principles of formation of models of behaviour of people in the organisations, divided feelings of workers at conflict occurrence between different sets of assumptions of activity of the organisation [8].

10.2. A type of organizational culture and its development

Organisation environment makes considerable impact on the organisation that, naturally, affects its culture. However, as practice testifies, the organisations functioning in the same environment, can have very different cultures. This results from the fact that the various organisations are solved differently by two basic problems:

- 1) external adaptation (mission and strategy, the purposes, means of achievement of the purposes, the monitoring system, correcting measures);
- 2) internal integration (one common language and conceptual categories, borders of groups and criteria of an entrance point and an exit from groups, the power and the status, personal relations, rewardings and punishments, ideology and religion).

According to R.Akoffu, various types of organizational cultures are formed under the power relation in the organisation (fig. 10.2).

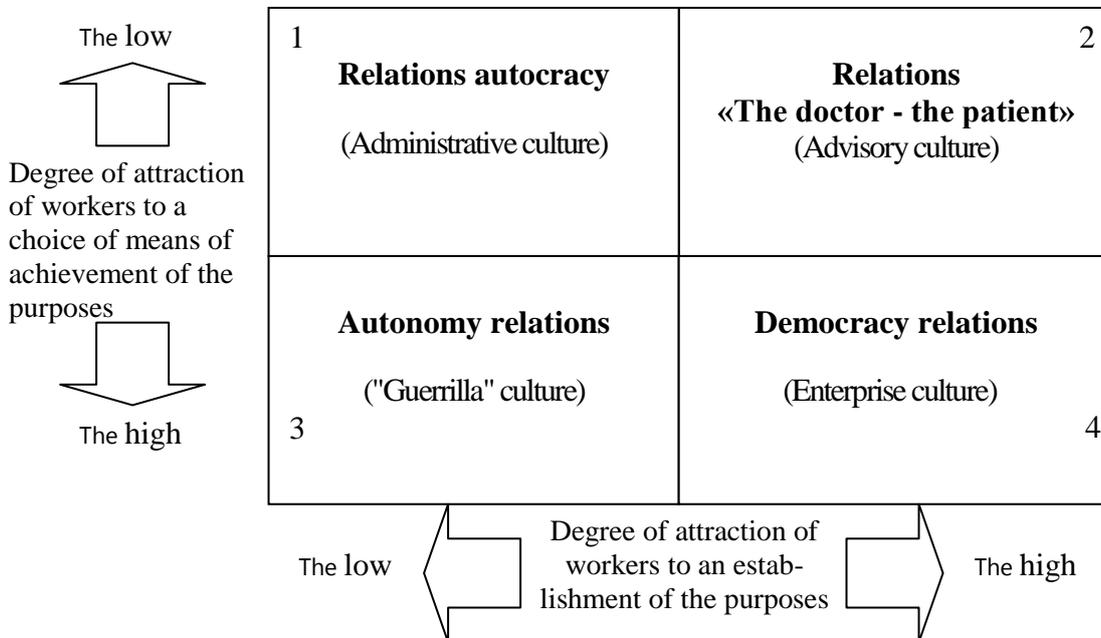


Fig. 10.2. Types of organizational cultures as power relations (On R.Akoffu)

Typical examples of organizational cultures:

1. Traditionally operated company with the centralised structure of management.
2. Institutes of social and other services (medical and educational institutions, the culture organisations).
3. Co-operative societies, the creative unions, clubs;

4. Groups and the organisations operated «on the purposes» or by results, the company with structure «turned pyramid» [8].

According to the above-stated grading it is possible to allocate two opposite types of organizational culture: administrative and enterprise. In development the organisation, as a rule, gradually pass from administrative to the enterprise culture focused on use of human potential and maintenance of high adaptability to external factors. This transition demands change of system of values of heads and is possible with arrival of a new command of the managers, capable to reform system of interaction of employees.

The administrative culture is characteristic for the organisations with prevailing authoritative style of a management and command management methods, enterprise - democratic style of a management, economic and socially-psychological methods of stimulation of the personnel. The characteristic of the given organizational cultures is resulted in tab. 10.1.

Table 10.1

The characteristic of organizational cultures

| The organizational Variables | The administrative Culture | Enterprise culture |
|--------------------------------------|------------------------------|-----------------------------|
| 1. The monitoring system | From the outside (head) | From within (worker) |
| 2. The property | The proprietor of process | The proprietor of property |
| 3. Possibilities | Waits for the moment | Guides search |
| 4. The decision of problems | Is rational-logic | The intuitive |
| 1. Delegation of power | Centralisation | Decentralisation |
| 2. Organizational structure | The hierarchical | The network |
| 3. The subordination relation | «The adult - the child» | «Adult - the adult» |
| 4. Organizational focus | On the organisation | On the person |
| 9. Industrial strategy | Depreciation | Manufacture differentiation |
| 10. Overall objectives | Productivity | Efficiency |
| 11. The approach to management | The system | The situational |
| 12. Work is projected from positions | Integration | Autonomies |
| 13. Work performance | By rules | The creative |
| 14. Spent changes | Updating | The radical |
| 15. Basic Course of actions | To do serious work correctly | To do correct work |

Administrative and enterprise cultures are the opposite approaches focused on various systems of values and technology of management. Change (development) of organizational culture is connected with great difficulties and occurs in the organisation very slowly. Possibility of cardinal change (transition from administrative to enterprise culture) arises in the presence of serious problems (bankruptcy threat), new managers stimulating arrival, updating of system of values, norms of behaviour and relations [17].

10.3. Influence of culture on efficiency of the organisation

In modern conditions the organizational culture is an original interlink between various structural divisions, levels of management and individuals in the organisation. The choice of a certain sort and a culture type makes considerable impact on efficiency of interaction of people and achievement of the successful end result of activity, and also increase of degree of satisfaction by work from workers.

The *model of Sate* considers influence of culture on organizational efficiency through seven processes:

- ✓ Cooperation between workers and organisation divisions (individual and panel work);
- ✓ Decision-making (a disagreement minimum, compromises);
- ✓ Supervisory control conducting (administrative - formal authority, planned - orientation to the price);
- ✓ Communications (in one organisations the openness, informality in communications is appreciated, in others - on the contrary);
- ✓ посвященность the organisations (an identification of with the organisation, aspiration to help the organisation);
- ✓ Perception of the organizational environment (the client is always right);
- ✓ justification of the behaviour (failure - a lesson on the future).

The *model of Pitersa - Uotermana* represents a set of values of the organizational culture providing success of the companies:

- ✓ Belief in actions (acceptance of risky decisions);
- ✓ close connection with the consumer;
- ✓ Encouragement of people as main source the manufacturer-nosti and efficiency;
- ✓ Knowledge of that, than you operate (personal contacts);
- ✓ Not to be engaged in what you do not know;
- ✓ Simple structure and not numerous staff of management;

✓ simultaneous combination of flexibility and rigidity in the organisation (rigidity - a close connection of workers through understanding of values of the organisation; flexibility - a minimum of intervention of a management).

Parsons's model defines communication between culture and results of activity of the organisation through functions which allow it to survive and become successful. The first letters of English names of these functions in an abbreviation have entitled model - AGIL:

- ✓ Adaptation;
- ✓ Achievement of the purposes;
- ✓ Integration;
- ✓ Legitimacy.

The organizational culture will define success of the organisation if values divided in the organisation help it adapt and reach in due time the purposes, to integrate the parts into a single whole and to achieve a recognition people or another the organisations.

The *model of competing values of Kvina - Rorbaha* has three-dimensional construction:

1) integration - differentiation - an orientation towards the supervisory control or towards flexibility;

2) internal focus - the external tolerance - the decision of problems in the organisations or strengthening of position in environment;

3) means / tools - results / indicators - concentration of attention to processes (mapping out, an establishment of the purposes, etc.) or on the end results (development, efficiency).

Management of organizational culture can be carried out in two ways. The first way assumes realisation of vision of the top management which should cause enthusiasm in the majority of employees of the organisation. The second way is carried out from the bottom levels of management. In this case the great attention is given to component parts of real life in the organisation and to the decision of problems. Culture change is the difficult enough and long process providing constant socialisation of new members of the organisation and correct mapping out of this work [8].

At management of culture it is necessary to use the system method considering influence of a family, formation, economy, a policy, health, religion and other factors on an approach choice.

11. CONCEPT AND THE MAINTENANCE OF THE ENTERPRISE MANAGEMENT

11.1. *Development of the theory and essence of business*

Fundamental positions about business and businessmen are put in doctrines of classics of economic thought XVIII–XIX centuries which have not lost an urgency and now. Thus in works of classics большее the attention is given to research of essence of the businessman and its functions in economic development of the state.

In XVIII century was considered that the businessman (entrepreneur) is the person who has concluded with the state the contract on certain, in advance stipulated cost. This person incurred all completeness of financial responsibility for performance of conditions of the contract. In a case if it carried out of all obligations to the state with smaller expenses in comparison with the stipulated cost in the contract had possibility to appropriate a difference, i.e. received the enterprise income.

One of the first concepts of business was stated by the scientist-economist R.Kantilon (1680–1734) by which definition the *businessman* is the person operating in the conditions of risk. R.Kantilonas a matter of fact was the ancestor of the thesis about the businessman as about the managing subject taking up responsibility for execution of various risks because of uncertainty of an outcome of economic activities.

The considerable contribution to working out of the theory of business was brought by A.Smith (1723–1790). The *businessman*, on Smith, – is the proprietor of the capital who for the sake of realisation of any commercial idea and profit reception goes on economic risk. A.Smith considered as a material basis of business a private property. Nevertheless he specified that the private initiative and a pursuit of profit can lead to certain arrangement between businessmen and to the conclusion of various agreements on exclusive rise in prices. A.Smith the first has formulated the well-known principle of non-interference of the state in enterprise sphere. As he marked, the state should establish an interest rate, the minimum cost of banking actions and etc., i.e. actually to be engaged in financially-credit regulation.

On Smith that the private enterprise was useful for a society, two major conditions are necessary: the businessman should have personal benefit

from the enterprise, competition development between businessmen should direct them to observance of obligations and public advantage. For business development the offers developed by the scientist on tax system and the customs duties had great value.

Z.Bodo's opinion (1797) that the *businessman* is a person who plans is of interest, supervises, will organise and owns the enterprise, and also bears responsibility for enterprise business. Speaking to the modern language, this person combining functions of the proprietor of the capital and operating it.

The important contribution to development of the theory of business was brought by the French scientist Jean Batist Sej (1767–1832). In «the Treatise on political economy» (1803) it gives following interpretation of *essence of the businessman* is an economic agent who combines manufacture factors, transfers resources from sphere of low productivity and profit-ability to areas where they can yield the greatest result (profit, the income).

Zh. B.Sej has developed the theory of three factors of manufacture according to which *work*, the *earth* and the *capital* it is equal in rights participate in creation of cost of a product and are sources of riches of a society - a salary, a rent and profit. According to Seja, manufacture factors (the earth, work, the capital) taken out on the market in the form of productive services are used by industrial businessmen (manufacturers) with a view of manufacture of the goods and satisfaction of demand for them from consumers. In this plan businessmen are only the intermediaries searching for necessary productive services for manufacturing of the necessary product [13].

Thus, classics of the economic theory have defined two major properties of enterprise activity. First, it is *brave activity* which demands presence of certain knowledge and abilities of a prediction of risk, ability of working out of actions for its prevention. Secondly, the *innovative, innovative character* of business which are based on constant search of new possibilities of satisfaction of demand of a society in the concrete goods or services.

In the theory of business XX century большее the attention is given to the maintenance of enterprise activity, its role in economic development of the countries, to personal qualities and behaviour of businessmen. Certain scientific interest is represented by researches of such scientists-economists, as F.Hayek, J.Shumpeter and P.Drakker.

According to F.Hayek, the *businessman* as the managing subject is characterised by special behaviour, aspiration to find out new ways of re-

ception the profits which yet have been not noticed by other managing subjects. In the conditions of a market competition those from them which possess the best enterprise talents and possibilities, i.e. the strongest survive. Hayek considers that the share of the persons, ready to be engaged in enterprise activity everywhere approximately is identical. In many developing countries it connects absence of spirit of business causing so much censures with presence of the various restrictions imposed by existing customs and institutes.

J.Shumpeter defines *the maintenance of enterprise activity* as realisation by businessmen of new combinations of factors of manufacture and realisation of various innovations. The status of the proprietor of business, according to the scientist, is not defining at reference of an individual to a category of the businessman. The leading part is played by its innovative behaviour which demands readiness to "go against the stream". The main motive of actions of the businessman is the enterprise profit characterising result (effect) of realisation of new commercial combinations. Involved all new and new enterprises arise profit, the new equipment is used, manufacture increases, the competition amplifies, out-of-date technologies and the enterprises («the theory of creative destruction») are forced out.

According to J.Shumpetera, *business function* consists mainly in революционизировании manufactures by use of inventions or various possibilities for exhaust new or old (but new way) the goods, opening of new sources of raw materials, commodity markets, reorganisation of manufacture and etc. the Scientist considered that two major factors are necessary for business development: organizational-economic innovation and economic freedom. It was the opponent of intervention of the state in enterprise activity.

P.Drakker understands the person who opens the own new small-scale business creating the new market or forming new buyers as the *businessman*. A characteristic sign of the enterprise organisations is giving of individual characteristics to the goods or quality of service at use of new technics. According to the scientist, base of business is modern knowledge, including new technologies of management. P.Drakker notices that innovations act as the special tool of businessmen with which help they use changes as favorable possibility for realisation of the plans in business sphere. New ideas just also make a semantic basis of the term "the businessman" which problem is «creative destruction» under J.Shumpetera's theory.

P.Drakker considers that business basically is not brave activity except for only some branches. It connects bankruptcy of businessmen with their insufficient competence, absence of necessary knowledge for purpose

achievement. Therefore he underlines the importance of vocational training and training to modern technologies of management.

Of R.Hizrich and M.Piters make definition of business which covers various types of enterprise behaviour. According to scientists, *business* it:

- ✓ Process of creation of a new product possessing value or services;
- ✓ process absorbing all time and forces of the businessman, and assuming acceptance on itself of financial, moral and social responsibility;
- ✓ process which is bringing in the monetary income and personal satisfaction by reached results.

The certain contribution to development of the theory of business was brought also by representatives of a domestic science, such as A.Petrazhitsky, A.Ageev, A.Busygin, V.Radaev, J.Osipov, A.Shapiro, etc.

One of the first pre-revolutionary Russian scientist A.Petrazhitsky has defined essence of business. He asserted that it is necessary to recognise as the businessman that subject whom it is independent, personally and on its own behalf guides economic activities and bears risk all property and property. In its opinion, the persons investing the property in уставный fund of the enterprise, bear responsibility only at a rate of the contribution.

A.Shapiro considers *business (management)* as a special sort of behaviour of the person or the organisation which includes an initiative element, the organisation or reorganisation of social and economic gears that with benefit to use available resources and a concrete situation and to be ready to possible risk in the conditions of market economy. The given concept underlines that business by the internal nature is a product of market system.

According to the Civil code of Belarus the *essence of business* is defined as the independent activity carried out on the risk directed on regular reception of profit on using by property, sales of the goods, performance of works or rendering of services by the persons registered in this quality in an order established by the law.

According to the given treatment, it is possible to allocate some characteristic features of business:

- 1) independent activity of capable citizens and their associations;
- 2) the initiative activity directed on realisation of the abilities and satisfaction of requirements of other persons and a society as a whole;
- 3) brave activity and the state does not incur responsibility for failure;
- 4) the professional work directed on regular reception of profit, instead of the single transaction;

5) the lawful activity which is carried out by private businessmen registered when due hereunder and legal bodies.

Summarising all aforesaid: in the broad sense of the word **business** represents free economic managing in various spheres of business (not forbidden by the law), carried out by subjects of market relations with a view of satisfaction of requirements of concrete consumers and a society in the goods (works, services), receptions of profit for development of own business (enterprise) and performance of financial obligations to the budget and other managing subjects [13].

Thus, *modern business* is characterised as special, innovative, anti-bureaucratic style of managing in which basis constant search of new possibilities of development lies, innovations and abilities to use for a solution of a problem (problem) resources from the diversified sources. Thus functioning of the enterprise organisation and search of resources is based on the current legislation.

The enterprise organisations (firms, the companies, large enterprise associations, the unions, banks, stock exchanges) are leading managing subjects in the conditions of market economy. Thus the basis of enterprise sector is made by small-scale business. In the developed countries more than 2/3 enterprises have number of the personnel less than 10 people, but on their share it is necessary from 50 to 70 % of GNP. In this connection at formation of market relations in Belarus the business role in maintenance of a sustainable development of economy essentially amplifies.

Enterprise activity as that is inherent not only to private commercial structures, but also the state enterprises, the organisations. The last is expressed by corresponding concept «the state business». As practice shows, in the conditions of developed market economy at sufficient level of a competition the state business appears effective enough, especially in branches with the big times of recovery of outlay of investments (power, a construction of roads) and social sphere.

Moreover, in the developed countries the increasing attention is given to use of the enterprise approach in activity of officials and public authorities. The enterprise approach here consists in the organisation of the most effective service and satisfaction of interests and requirements of citizens, maintenance of rational use of resources allocated with the state on social programs and projects.

Enterprise management is the section of the management representing systematised knowledge of the theory and practice of activity of the enterprise organisations, their typology and legal maintenance of contractual relations.

Object of research of enterprise management are problems of practice of management of enterprise activity and legal maintenance of various forms of managing, business developments.

11.2. Business as the phenomenon and process.

Business functions

Business as the phenomenon characterises set of relations (economic, social, organizational, personal, etc.), connected with the organisation businessmen of the business, with manufacture of the goods (performance of works, rendering of services) and reception of desirable result in the form of profit (income).

Business as economic event reflects commodity character of relations of businessmen with other managing subjects, consumers, suppliers of factors of manufacture (raw materials, materials, the equipment, fuel, energy and etc.), banks, stock exchanges, management state structures. These relations are formed on the basis of action of economic laws of the market (supply and demand, a competition, cost, etc.) and all tools of commodity manufacture and the reference, and also economic policy of the state and legal maintenance of enterprise activity.

Business as process represents set of purposeful actions of businessmen from the moment of occurrence (origin) of enterprise idea and finishing its embodiment in the concrete enterprise project.

Business is carried out on the basis of a constant combination of factors of manufacture and an effective utilisation of resources continuous process of creation of the new goods, works, the services possessing consumer value and satisfying constantly a growing demand. Hence, business as process includes search of new creative ideas, their analysis and an estimation from the point of view of requirements of the market and an economic gain, formation of the gear of realisation of ideas, an embodiment of ideas in the new enterprise, development of manufacture of new products, perfection of the organisation of manufacture, i.e. realisation of ideas in the concrete result making for the businessman profit.

According to J.Shumpetera to make - means to combine productive forces available in our disposal for reception of new products. In this case a business main objective is search of new combinations of productive forces, resources for satisfaction of public requirements.

The manufacture combination covers following basic directions of enterprise activity:

- 1) manufacturing new, i.e. unknown to consumers, the blessings or creation of its new quality;
- 2) introduction new, i.e. in the given branch of almost unknown method (way) of manufacture;
- 3) development of a new commodity market;
- 4) reception of a new source of raw materials or a semimanufactured goods;
- 5) monopoly position maintenance (creation of trusts) or blasting of a monopoly position of other enterprise.

In market economy business as the integrated set of the enterprise organisations (firms, the companies) carries out following functions: обще-экономическую, creative-search (innovative), resource, social, organising and political.

Obshcheekonomicheskyy function is defining and is caused by a role of the enterprise organisations as subjects of the market. Enterprise activity is directed on service of concrete consumers: the population, other businessmen, the state, is and predetermines the function maintenance. Forward development of enterprise sector is one of important conditions of steady economic growth, increase in volumes of a total internal product or the income per capita.

Resource function defines possibilities of development of business by means of more effective utilisation of restrained resources: labour, natural, means of production and scientific achievements, enterprise talent.

The success of the enterprise organisation is in many respects defined by that, scientific and technical ideas, innovations how much effectively are generated and move ahead, the highly skilled labour is used, all sorts of resources are effectively consumed. Maximisation of profit of the enterprise organisation often leads to irrational use of resources, harm to environment and the population is done. In this connection important value is got by a regulating role of the state establishing the forms of responsibility of businessmen for irrational use of resources.

Owing to the antibureaucratic nature of managing the *creative-search* (innovative) function connected with use in enterprise activity of new ideas, development of new means and factors for purpose achievement is peculiar to business. Creative function is closely connected with all other functions and caused by level of economic independence and freedom of enterprise activity, possibilities of rational use of resources and conditions of acceptance of administrative decisions.

Social function is shown in possibility of each capable individual to be the proprietor of the business and with the greatest return to use the in-

dividual talents. This function is shown in formation of a new group of people - people enterprising, inclined to independent economic-economic activities. Besides, effective functioning of the enterprise organisations increases receipts in the budget, provides growth of employment and unemployment reduction, increase of level of a social status of workers on hiring.

Organising function is shown in acceptance by businessmen of independent decisions after the organisation of own business, its diversification, introduction of intrafirm business, creation of large enterprise structures and change of strategy of activity of firm. For example, the state enterprises which do not have the similar rights, generally it is necessary to consider not enterprise, but bureaucratic.

Political function is shown by means of creation of the enterprise unions and associations with a view of impact on economic policy of the state, formation of the normal environment for functioning of the enterprise organisations [13].

The combination of all inherent enterprise to the organisations of functions most in a complex characterises essence of modern civilised business. It is necessary to notice that effective performance of the functions set forth above in many respects leans against stability of legal maintenance. Excessive intervention of the state and the rigid supervisory control can essentially slow down processes of origin of enterprise sector.

The further development of business as corresponding economic event and process, increase of a role and the status of the enterprise organisations in structure of economy of our republic mainly is defined by presence of the legislation stimulating creation of the new enterprises, exhaust of new production, use ресурсосберегающих technologies.

As world practice shows, in many respects it is provided at the expense of application of the gear of tax privileges. For example, in France the legislation according to which again created enterprises in first two years of work completely are released from payment of the tax to incomes (profit) operates, for the third year pay 25 % from the tax sum, the fourth - 50, the fifth - 75 and only since sixth year pay the tax in full. In Japan the basic tax privileges, as a rule, are given to the enterprises which are letting out new competitive production, and on the average make 15-25 % from the taxable sum, and for the most priority for эконому экспортноориентированных and импортозамещающих the privilege goods can reach to 50 %.

Economic preconditions for business development are given also by presence concerning low general tax loading on the enterprises. In the USA

and Japan tax loading makes accordingly 30 and 33 % from gross national product that much more low in comparison with other developed countries (France - 54 %, Sweden - 57). These factors also define successes of the American and Japanese business. By estimations of foreign experts, at tax loading above 50 % from gross national product the initiative of businessmen is essentially held down and developments of private business are slowed down.

In our republic general tax loading also exceeds a tolerance level. For example, on our researches in 2005 of the enterprise of a forestry management have paid in the budget and target off-budget funds about 51 % from the received gain. Thus for last five years these payments have increased by 8 %, and growth of tax loading is marked against decrease in the size of profit received by the enterprises from self-supporting activity. By estimations of some experts level of tax burden in our country approximately on 10 % above, than in the Russian Federation that in certain degree also limits inflow of the foreign capital.

In tax laws of our country certain tax privileges for the enterprises are provided, but in the quantitative plan they are considerably restrained also procedures of their reception enough бюрократизированы. Mainly, privileges are given on the tax to incomes (profit) at them реинвестировании in manufacture development, at involving in a turn of secondary resources, production wastes and some other sorts of activity. However for reception of tax privileges it is necessary to issue set of various documents in corresponding state structures of management. Besides, on given production it is necessary to guide the separate account and to give accounting documents that considerably complicates the gear of their application.

Considering features of our transitive economy and national culture it is possible to allocate both other straight and indirect external factors, businesses braking development. It is necessary to carry to them: negative public opinion and the relation of local authorities to businessmen, a considerable quantity of supervising bodies, application of administrative handle-bars, restriction of access to certain spheres of the economy, insufficient financial support. Therefore as a whole in republic development of purposeful stimulating economic policy (tax, investment, innovative and etc.) which will provide necessary preconditions for intensive growth of enterprise sector, increases of its status and authority in the opinion of the public is required.

11.3. Philosophy and business principles

The most important element in modern business is formation of philosophy of business dealing, i.e. basic principles of management which become subsequently base ideology in behaviour of all employees of the organisation. The firm philosophy is considered as the factor of successful activity and harmonious mutual relation of the enterprise with the external and internal environment.

The *philosophy of the enterprise organisation* is certain system of values which are developed in the course of activity of firm and are formed subsequently in certain traditions, size standards and the rules divided by all employees of the organisation.

Principles and system of values of the enterprise organisation are base for formation of strategic targets and a choice of concrete model of behaviour in the market, guidance system improvement of quality by the modern enterprise and optimisation of processes of use of resources.

The long-term experience of domestic and foreign business got as a result of activity of the succeeding organisations, allows to allocate the following basic principles of business put in modern philosophy of business dealing.

1. *Full orientation to the consumer*, the decision of its problems and satisfaction of inquiries. In activity of the enterprise organisation it is caused by transformation of the market of the seller in the market of the buyer that means transition from model «is on sale that is made» (primacy of manufacture) to model «is on sale that is bought» (primacy of the consumer).

2. *Constant aspiration to improvement of quality* of production and services. The given principle is caused by constant development of the consumer market and increase of level of requirements to the goods, services and works from consumers. An overall objective of new firm is the aspiration to satisfy constantly growing demand and to get advantages in competitive struggle, it translates quality in a philosophical category on which base strategy and a policy of activity of the businessman is under construction.

3. *Creation of a favorable conditions for development of the personnel and increase of motivation of work*, stimulation of the creative relation and perfection of labour processes. The given principle defines degree of satisfaction of employees of the enterprise, their possibilities of participation in common cause and achievements of beneficial effects in enterprise activity. The management main task to establish such mutual relations with

the personnel which raise understanding them of the personal contribution to achievement of the purposes of the organisation. Promotion in enterprise structure is carried out on the basis of the reached results irrespective of age of the employee and the work experience in the organisation.

4. *Strengthening of positive image, reputation of firm and its employees.* The reputation has two factors of success: a significance level and authority of the organisation, degree of trust from consumers, associates and the credit organisations.

The *firm rating* is an integrated indicator on group of the factors, defining reputation of the enterprise and allowing to state a comparative estimation in relation to other enterprises (a 10-ball estimated scale). To the factors defining a rating of the company, carry the following: qualification of a management, position in the internal and external markets, financial results of activity, a place in branches, degree of attraction of investments, recognizability of image, popularity of a trade mark, level of contacts to the public.

The understanding of value and essence of reputation, its role, aspiration to increase of its level should become views and actions of all personnel of the organisation, each employee, working in the entrusted field of activity. Only the co-ordinated actions can lead the enterprise to successful results.

5. *Constant aspiration to development,* use of new technologies, achievement of the best indicators in industrial, financial and marketing activity. A basis of realisation of the given principle is use of effective system of stimulation of the initiative and personnel creativity. It is reached through participation of workers in management and there have arrived the enterprises [1, 4].

The *philosophy and main principles* of the civilised approach to the organisation of enterprise activity should be accessible and clear to each employee and are stated in writing in the form of the corresponding document. Use of similar system allows to program in certain degree process of behaviour of workers in a direction of constant increase of prestigiousness of firm at the expense of correct understanding of its philosophy which keeps their own development and satisfaction of requirements.

11.4. Historical stages of development of business

The **first stage** of development of enterprise activity concerns sources of formation of business at the time of development of trading ways and building of the first cities in ancient centuries. A basis of enterprise activity

during this period was development of trade which has marked origin of *merchant business*. The first mentions of merchants-businessmen in Ancient Russia meet in X century d.C.

At present merchants named the town-dwellers trade in the domestic and foreign goods was which basic employment. The higher layer of merchants-businessmen was made by "visitors" (from ancient «гостьба» - trade), engaged basically the foreign trade. In XIII-XV centuries with revival and growth of number of merchant class in the commercial and industrial centres trading businessmen have started to be consolidated in the first professional organisations - "numbers", and their members to be called «рядовичами».

The governments aspired to supervise at all times enterprise activity, using various ways, including creation "from above", an administrative way elite, completely corporations dependent on the power. In this connection the idea of development also originates of "the state business» in the remote past.

In ancient and the Middle Ages trade was main, but not unique, sphere of enterprise activity. In XV-XVI centuries, having acquired capitals, businessmen-merchants have started to put up money in stone building, purchase of villages, villages, were engaged in usury. Development of new trading ways by merchants promoted development of big cities, a swap of enterprise experience, origin of new sorts of enterprise activity.

In 1653 the first trading charter on which in exchange to set existing before trading gathering «the rouble duty» (10 % from cost of the goods was raised uniform so-called) has been entered. Thus foreign businessmen were assessed with higher duty, than domestic dealers, i.e. during those far times have started to be applied measures on protection of domestic sector.

The **second stage** of development of business concerns to XVIII-XIX centuries and is based on realisation of large-scale Petrovsky reforms. Industrial business starts to be formed and develop in this period, there are large industrial companies (state and private) which were engaged in metallurgical manufacture and shipbuilding.

The establishment of new authorities enterprise activity - *boards* became an important stage in state economic policy. Created manufactories-boards carried out the state support on the organisation of the effective and profitable industrial production providing needs of the state. Assistance to trade and activity of businessmen has been obliged to render also city *city councils* operating at that time (local authorities).

In 1703 in Petersburg the first regular commodity-raw stock exchange with elements of share trade has been created.

By end XVIII century the cotton industry has had development, there were first state credit institutions. The *Monetary office* (1733-1758) which gave out loans to businessmen under 8 % of the annual became the first credit institution of a banking type. In 1754 the *State extra bank* is created. С 1769 with the beginning of exhaust of paper money образуются *ас-сигнационные banks*, it has given an impulse for development of enterprise activity in banking sphere.

In first half XIX century the *stock exchange* becomes the most influential and representative organisation of businessmen.

In 1816 the *Warsaw stock exchange*, and in 1837 - the All-Russia *Moscow stock exchange* has been created.

In the end of XIX century there is a reorganisation of system of public finances, strengthen the positions credit institutions and private banking houses, exhibition trade, cottage industry develops, there are first co-operative societies, large enough joint-stock companies.

With capitalism development the special place in economy is occupied with cottage industry - the small family organisation of manufacture of products on sale. Number of handicraftsmen in 80th of XIX century in 5 times exceeded number occupied in average and country large-scale industry.

In 1860 the State bank for assistance by credits to development of priority industries has been created: metallurgical, machine-building, sugar, textile, and also realisation of support of private commercial banks.

In 60th of XIX century there is an intensive development of consumers' co-operative society. During this period «the First Riga consumer society», «the Kharkov society of consumers» [4] are created.

The **third stage** of development of business concerns beginning XX century and is connected with capitalism development, carrying out стoлыпинской an agrarian reform. In 1900-1917 there is an organisation of major concerns and syndicates for the purpose of reduction of prices, has the further development cooperation. The Stolypinsky agrarian reform promoted business origin in agricultural production. Since 1906 the law had been cancelled redemption payments for the earth, land selling to peasants on favourable terms through country bank became more active. To this period there is a formation of large monopolies in various fields of activity.

For example, syndicate «Russian льнопромышленное the joint-stock company», on 80 % belonging to a family Rjabushinsky, consolidated 17,5 % of all linseed factories in Vitebsk, Smolensk, Vyazma and other cities. Businessmen Rjabushinsky were founders of an automobile mill

"ZiL", the banking house, the newspaper «Morning of Russia», Russian geographical society, Aerodynamic institute.

To the beginning of 1917 in Russia operated with 47 thousand the co-operative societies consolidating 84 million of persons - more than half of population of the country.

The provisional government on March, 20th, 1917 for the first time has accepted «Position about co-operative associations and their unions» in which the attendance system of opening of co-operative societies of all sorts has been entered. This position provided the simplified procedures of registration of the new enterprises. Now the similar system is applied in the developed countries.

The **fourth stage** is connected with business formation during the socialist period. At this time as a result of nationalisation there is a private property and business destruction. Only in agriculture development of small country business without wage labour use was supposed.

At an initial stage of formation of the Soviet power struggle against fists which were understood as capitalist businessmen in the agriculture, applying hired labour became more active. Before revolution the economy using wage labour, owned 80 million in hectare of the earth, and by 1918 - only 30 million in hectare, i.e. were reduced more than in 2,5 times.

In 1919 Position about socialist land management and about transition measures to socialist agriculture »according to which all sorts of individual economy were subject to replacement with socialist forms of managing was accepted new«: state farms, collective farms and industrial communes.

In the first years of the Soviet power there was a fast extruding of the private capital in industrial and financial sphere. A policy of "military communism» and destruction of a real commodity-money swap, a freedom of commerce and enterprise activity have led to sharp falling of all industries and agriculture. In 1920 coal mining has decreased in 3 times, steel melt - in 16 times, sugar manufacture - in 10 times.

Under the influence of the given problems the government undertakes certain steps on *liberalisation economy* (NEW ECONOMIC POLICY). As a result the NEW ECONOMIC POLICY is entered продналог instead of продразверстки, trade and domestic industries is resolved, the small industry and trade enterprises are denationalised and transferred private traders. The large enterprises are put on a self-supporting basis, rent has had development. As a result in 1922-1926 there was a growth of manufacture of grain more than in 3 times. In 1925 in countryside has started to function more than 55 thousand the co-operative societies consolidating 7

million of shareholders, and in 1929 - already 28 million persons were members of co-operative societies.

However activity of private traders was limited to system of state regulation of the prices and taxes, access of businessmen to leading industries was limited. Finally the country by 1928 has not reached a level of production of 1913

In 1922-1925 the system of indicative mapping out (Kondratyev) which leant originally against development of all forms of managing has been developed. However in 1925-1926 of the beginning actively to be used the concept of administrative mapping out without switch connection of market mechanisms. In the late twenties XX have passed century of the power to total command methods.

During this period new approach to individual economy has begun. In the beginning of 30th XX century it has been liquidated over 3 million individual economy, it is subjected to repression more than 20 million persons. The government takes a course on development of large modes of production in agriculture and the industry.

As a result of restrictions of market relations the *shadow economy*, i.e. economic activities which is not considered by statistics starts to develop and does not get under the taxation. The shadow economy has filled all most profitable "alcoves" in economic circulation where serious deficiency of the goods was marked.

Since 50th XX century manufacture of the scarce goods in underground shops has begun. Were extended overtime works on not considered ("left") raw materials in shops of state enterprises. Similar "business" could not do without assistance of state structures of management. Enterprising people bribed workers of the State Planning Committee, State Logistics Committee, state trade.

The shadow economy has received the greatest blossoming in 70-80th XX century in such branches, as workpiece and clap processing, small and light industry, population consumer services, state trade and a public catering. A principal cause - imbalance of branch structure of economy it is command-management system. The directive system of mapping out glitched and did not provide the population with necessary consumer goods that led to growth of deficiency of production in problem spheres.

Was considered that the shadow economy substantially extinguished inflationary processes in the country as provided certain adequacy of solvent demand with the offer of the goods and services [4, 11].

The **fifth stage** of development of business is connected with development of cooperation and co-operative business in 90th XX century At the

given stage turn to market relations marks new revival of enterprise activity and formation of modern market business.

This process starts to develop, when since 1988 «the new law has been passed About cooperation», according to which либерализировано and разгосударствлено co-operative business. In an initial stage of 85 % of production of co-operative societies it was necessary on manufacture of consumer goods, consumer services, public catering, workpiece and processing вторсырья. In the subsequent there was an industrial and technological production increase, rendering of services to the enterprises. In 1990-1991 many co-operative societies are transformed to new forms of enterprise activity (Open Company, Joint-Stock Company, Open Society) that became the beginning of development of modern private business in the country [3, 12].

Development of co-operative business has allowed:

- ✓ To restore a role of commodity-money relations;
- ✓ To improve saturation of the market by the goods and services, to support balance of supply and demand;
- ✓ To create effective forms of stimulation of enterprise and a competition;
- ✓ To begin formation of multistructure economy at the expense of development co-operative and a private property.

Thanks to process of privatisation and economy privatisation by this time there was a set of the commercial enterprises in industrial sphere and sphere of services, the network of the state and commercial banks was generated, there were first unions of businessmen, currency, share and commodity-raw stock exchanges have started to function. Development of modern business is in many respects defined by application of the market regulators, stimulating policy of the state.

11.5. Personal and professional qualities of the businessman

In modern dynamically developing economy success of this or that organisation in many respects connect with presence of certain *enterprise talent* which is considered by the same important economic resource, as well as the earth, work, the capital. At the heart of this talent unique abilities of businessmen to adaptation and a survival in the conditions of accruing competitive pressure, globalisation and state regulation lie.

Now difficult and unpredictable market environment demands from the businessman-manager of the weighed supervisory control, forecasting of the future situation in the market, an ingenuity and fast reaction to occur-

ring changes, necessities of acceptance of administrative decisions in the conditions of risk. Therefore first of all the figure of the modern businessman can be characterised such qualities, as initiative, authority, prediction gift, organising abilities, ability to risk, persistence and purposefulness which in aggregate and define the maintenance of enterprise talent.

According to J.Shumpetera, the businessman is the revolutionary in economy as its activity is directed on creation of new ways of development and profit reception. In the business world there is a mass of alternatives, and a correct choice - the keystone to success. In this sense businessmen represent a special type of people which possess certain intuitive abilities correctly to place priorities and to carry out a choice, to go forward contrary to uncertainty of a situation and pressure from outside, to force other people to obey and move to the planned purpose.

Modern businessmen should possess following character traits: to be fair, competent, purposeful, initiative, to show leadership, to respect opinion of others, positively to concern people, constantly to study, be ready to risk acceptance, to be able to overcome resistance of environment, to show persistence in object in view achievement, to have the creative beginning, to be hardworking and to have high working capacity, to be able to involve necessary associates, to have commercial and financial mentality, is good to be disassembled in technologies, people to be able to receive a lawful way due to them and other qualities.

The American agency on the international development and National scientific fund of the USA is resulted by following most important lichnostno-professional qualities of businessmen:

- ✓ Search of possibilities and initiative;
- ✓ Persistence and persistence;
- ✓ Readiness for risk;
- ✓ Orientation to efficiency and quality;
- ✓ involvement into working contacts;
- ✓ Purposefulness;
- ✓ Aspiration to be informed;
- ✓ Regular mapping out and supervision;
- ✓ Ability to convince and establish communication;
- ✓ Independence and self-confidence;
- ✓ Knowledge of technics and technology [13].

Apparently, the list of lichnostno-professional qualities of the modern businessman is wide enough, and it demands special preparation and regular training. The insufficient quantity of knowledge and demanded abilities leads to narrowing of enterprise possibilities that in the conditions

of market economy and a competition guides to inevitable bankruptcy. As world practice shows, more than 70 % of the new enterprises are closed within first three years of work. It proves that fact that the majority of the businessmen opening new business, does not have not enough knowledge and experience for an effective management of the enterprises in the conditions of a rigid competition, market globalisation.

Therefore the modern businessman-manager should study, expand constantly the knowledge and experience which can be transformed to corresponding competitive advantages and prospects of its company. According to many psychologists, the majority of those qualities which make the maintenance of enterprise talent are not congenital, and develop in the course of training and experience accumulation, forming an especial type of enterprise thinking and behaviour.

12. TYPOLOGY OF THE ENTERPRISE ACTIVITY

12.1. Concept and grading of types of business

The *business typology* is understood as the doctrine about various types, sorts, the spheres of enterprise activity defined to essential signs, allowing to carry the given concrete economic (economic) activity to a certain type or a sort of enterprise activity. At an establishment of types of business objects of enterprise activity, legality of its realisation, the end results, rates of increase, introduction of innovations and other signs have defining value.

In the modern theory of business allocate following various types of enterprise activity.

On **pattern of ownership** distinguish state, private, смешенное, joint and foreign business. The *state business* is understood as activity of the enterprises with the state pattern of ownership. They can be based on republican (Belarus belonging to the government) and municipal (to local authorities) the property. *Private business* is presented by the individual (individual) and collective (partner) property. The *mixed* pattern of ownership means a certain combination private and state. Joint ventures are based on the property of the Belarus and foreign participants, and *foreign business* - on the property (100 %) foreign investors.

To signs of **legality** business is subdivided on lawful, illegal and pseudo-business. The enterprise activity registered when due hereunder is *lawful*. *Illegal business* considers realisation of enterprise activity without registration or without the special permission (licence). *Pseudo-business* name creation of the commercial organisation without intention to carry out enterprise or banking activity, and with the purposes of reception of credits, tax exemptions, extraction of other property benefit or cover of the forbidden activity which has caused a damage to citizens, the organisations or the state. For the organisation illegal and pseudo-businesses the criminal liability is established.

To a **geographical sign** business is subdivided on local, regional, national, international and world. *Local business* provides service of the small local market (for example, within the limits of neighbouring commune), *regional* - within wider regional market (area), *national* - at level of all republic. The international business covers enterprise work in the several countries, *world* - in the majority of the countries of the world (multinational corporation).

From the point of view of **rates of development, profitableness and risk level** allocate *quickly* - and *медленнорастущие* the companies, *it is high* - and *низкорентабельные* the organisations, *высокорисковые* (venture) and *низкорисковые firms*. Быстроразвивающиеся and highly profitable firms are characterised by corresponding indicators above среднеотраслевых. New быстроразвивающиеся and highly profitable branches often also are the most brave for investments.

Depending on **quantity of participants** of own business business is subdivided on *individual* and *collective* (partner), based according to participation of one and several founders-proprietors of property of the enterprise [13].

To such signs (criteria) as **number of all personnel**, on relative density of other subjects in authorised (складочном) the capital is defined small business.

Legal bodies carry to *small business* (small-scale business) with number working in the industry and transport no more than 100 people, agriculture and a science - 60 people, building and wholesale trade - 50 people, other branches of industrial sphere - 30 people, non-productive sphere - 25 people [12] activity of individual businessmen without formation of the legal person, and also. The average and large enterprises for the legislation differ with the size of an annual turnover: to two and more two millions US dollars.

In **forms of responsibility of participants** of the enterprise organisations for results of their activity allocate the organisations with *full property responsibility* (individual businessmen, economic associations), *partial property responsibility* (ALC, production co-operatives), *absence of property responsibility* (Open Company, joint-stock company).

Depending on scale and character of **innovations** it is necessary to distinguish *creative-search*, *productive* and *revolutionary business* [13].

The choice of concrete types of enterprise activity is carried out on the basis of the analysis of real possibilities and competitive advantages of the enterprise, its strategy of development and legal maintenance, and also a condition of a surrounding business environment.

12.2. Grading and the characteristic of sorts Enterprise activity

Grading of sorts of business is mainly connected with a field of activity of the organisations, features of their creation and functioning.

Taking into account an orientation of enterprise activity, object of the appendix of the capital and reception of concrete results following sorts of business are allocated.

Industrial business is a process of manufacture of the concrete goods, realisation of works and rendering of services for their realisation (sale) to consumers. Industrial business is classified depending on economic activities branch: industrial, building, agricultural, лесохозяйственное, timber industry, etc.

Industrial business from the economic point of view is defining as these organisations (firms, the companies, the enterprises) form real sector of economy and carry out production (goods) of technological appointment and the consumer goods necessary for the population, firms, the states as a whole. Economic growth and level of social development of a society depend on its development. Therefore the state, as a rule, forms stimulating economic policy for own real sector putting a basis for development of other sectors of economy.

Industrial business demands enough high investment expenses for creation of the new enterprise. In the conditions of our transitive economy and low rates of privatisation of the industrial enterprises high enough monopolisation level of branches till now remains, there is enough considerable a public sector share. Structural reorganisation of economy has not provided necessary conditions for development of private industrial business. Therefore industrial business in our country, as well as in other developing countries, is the most brave employment.

Kommerchesko-trading business is a sort of enterprise activity on realisation of commercial transactions on acquisition and realisation of the goods, movable and real estate and other material assets for the purpose of profit reception. Actually kommerchesko-trading firms act in a role of intermediaries between the manufacturer and production consumers. However if trade enterprises are not dependent on the manufacturer at sale of the goods they can speak on behalf own name and realise the price policy.

Two basic conditions are necessary for development of trading business:

- ✓ Rather steady demand for the sold goods;
- ✓ Low enough procurement price of production at manufacturers in comparison with the market price, providing indemnification of trading costs and reception of normal profit.

Kommerchesko-trading activity is mobile, quickly adapts to requirements of the market as it is directly connected with concrete consumers, demands concerning small investments at creation of the new enter-

prises. Therefore trading business is connected with much smaller risk level in comparison with the industrial. However at the trade organisation the industrial goods of long using the enterprise risk increases.

Financially-credit business is a purpose-built area of the enterprise activity which prominent feature is that as a purchase and sale subject securities (actions, bonds, etc.), currency values and national money act. For the organisation of financially-credit business the whole system of the organisations is formed: commercial banks, the financially-credit companies (firm), share, currency stock exchanges and other purpose-built organisations. Enterprise activity of banks and other financially-credit organisations is regulated both general acts, and special laws and statutory acts of National bank of Belarus and the Ministry of Finance of Belarus.

The state in the name of the Ministry of Finance of Belarus also represents itself as the businessman on a securities market, letting out in a turn corresponding securities (state credit obligations). Participants of the financial market are also the commercial organisations which are carrying out issue of securities.

The *financial organisation* is understood as the legal body who is carrying out on the basis of the corresponding licence banking operations and the transactions or rendering service on a securities market, services in insurance or other services of financial character, and also a pension fund, investment fund, the leasing company, the credit consumer union and other organisation which is carrying out operations and the transactions in the market of financial services [13].

The *market of financial services* - a field of activity of the financial organisations in territory of Belarus or its part, defined proceeding from a place of granting of financial service to consumers. Enterprise activity in the market of financial services includes such sorts of business, as activity on a securities market, banking services, insurance services.

12.3. Enterprise activity on a securities market

On a securities market following sorts of professional work are carried out: broker, dealer, activity on management of securities, activity by definition of mutual obligations (clearing activity), депозитарная, activity on conducting the register of owners of securities, activity on the trade organisation on a securities market.

Broker activity is a fulfilment of civil-law transactions with securities as the attorney or the commission agent operating on the basis of the contract of the commission or the commission, and also the power of attorney

for fulfilment of such transactions in the absence of instructions on powers of the attorney or the commission agent in the contract. The professional participant of a securities market who are engaged in broker activity, is called *as the broker* who should carry out commissions of clients honestly and as their receipt, obtaining for this activity from clients material reward. In broker activity the individual businessman or the legal body having special permissions (licence) to realisation of the given sort of activity can be engaged.

Dealer activity is a fulfilment of transactions of purchase and sale of securities on its own behalf and at own expense by the public announcement of the prices of purchase and (or) sales of separate securities with the obligation of purchase and (or) sales of these securities on declared by the person who is carrying out such activity, to the prices. The professional participant of a securities market who are carrying out dealer activity is called *as the dealer*. The commercial organisation (legal body) can be it only.

Activity on *management of securities* on a securities market on its own behalf for compensation during certain term of trust management transferred to it in possession and belonging to other person realisation by the legal body or the individual businessman admits interests of this person or the third parties specified by these person:

- ✓ Securities;
- ✓ money resources intended for investment in securities;
- ✓ Money resources and the securities received in managerial

process by securities.

The professional participant who is carrying out activity on management by securities, is called *as the managing director*.

Clearing activity is a definition of mutual obligations and realisation of calculations under transactions with securities (gathering, verification, updating of the information and preparation of accounting documents). The clearing organisation which is carrying out calculations under transactions with securities, is obliged to form special investment funds for decrease in risks of default of transactions with securities.

Depozitarnaja activity is an activity on rendering of services of storage of certificates of securities and (or) to the account and transition of the rights to securities. The professional participant who is carrying out депозитарную activity, is called *депозитарием*. The person using депозитария on storage securities and (or) the account of the rights to securities, is called **as the depositor**. Mutual relations between депозитарием and the depositor are regulated concluded by them депозитарным by the contract.

Activity on conducting the register of owners of securities includes gathering, fixing, processing, storage and granting of the data making system of conducting of the register of owners of securities. In the given activity legal bodies who are called *as holders of the register* (registrars) have the right to be engaged only. The emitter (the company releasing securities) or the professional participant of a securities market, carrying out activity on conducting the register on the basis of the commission of the emitter can be the holder of the register.

Activity on the *trade organisation on a securities market* is granting of the services directly promoting the conclusion of civil-law transactions with securities between participants of the market. The given category of professional participants of a securities market is called as organizers of trade on a securities market - *stock exchange*. So, stock exchange the organizer of trade on a securities market, not combining activity on the organisation of trade with other sorts of activity, behind an exception депозитарной and clearing activity can admit only. Any (above-named) professional participants of a securities market [3, 13] can be members of stock exchange.

All categories of professional participants of a securities market for realisation of the activity should obtain the special permit (licence) when due hereunder.

12.4. Enterprise activity in the market **Banking services**

Enterprise activity in the market of banking services is carried out by banks and not banking credit and financial organisations, as a legal which basis of functioning the Banking code of Belarus and other acts acts.

The *bank* is the commercial organisation, образуемой as joint-stock company or the unitary enterprise which for extraction of profit on the basis of the licence of National bank of Belarus has the right to make banking operations.

The *Nebankovsky credit and financial organisation* represents the legal body, having the right to carry out separate banking operations and the sorts of activity provided by the Banking code of Belarus, except for those sorts which can carry out banks.

According to the Banking code of Belarus banks have the right to carry out following banking operations:

✓ Attraction of money resources physical and legal bodies in contributions (poste restante and for certain term);

- ✓ Placing of the involved means;
- ✓ Opening and conducting bank accounts;
- ✓ Realisation of calculations on the instructions of physical and legal bodies, including banks-correspondents;
- ✓ Collection of money resources, bills, payment both settlement documents and cash service of the enterprises;
- ✓ Foreign currency purchase and sale;
- ✓ Attraction in contributions and placing of precious metals;
- ✓ Realisation of transfers of money resources without opening of bank accounts.

Besides, banks can give to the clients following types of service:

- ✓ Delivery of banking warranties and guarantees for the third parties and buying of the requirement from the third parties under obligations in the monetary form;
- ✓ Trust management by money resources and other property under the contract with physical and legal bodies;
- ✓ Granting in rent physical and to legal bodies of special premises or safes for storage of values;
- ✓ Leasing operations;
- ✓ Rendering of consulting and information services, and also other transactions according to the legislation.

The bankovsko-credit organisations according to the licence of National bank of Belarus for realisation of banking operations can guide professional work on a securities market. So, they have the right to make exhaust, purchase, sale, the account, storage and other operations with the securities which are carrying out functions of the payment document, with the securities confirming attraction of money resources in contributions and on bank accounts, with other securities carrying out of operations with which does not demand reception of the special licence, and also to make trust management by securities under the contract.

The minimum dimension of the authorised capital of again created bank (not banking credit and financial organisation) is established in the Belarus roubles in the sum equivalent to 5 million of euro, and should be generated in full before the state registration.

According to the legislation the organisations of a banking type are forbidden to be engaged in industrial, trading and insurance activity [3].

12.5. Business in the market of insurance services

One of important sorts of business is purpose-built insurance activity. At *insurance business* the insurance organisations according to the legislation and the contract guarantee to insurers damage compensation at the conclusion of the contract of the insurance compensating their own costs, probability of risk and providing reception of enterprise profit. Insurance business is one of the most brave sorts of activity.

Insurance activity is carried out on the basis of the contracts of property or personal insurance concluded by the citizen or the legal body (insurer) with the insurance organisation (insurer). Under the contract of property insurance the insurer undertakes for the payment (insurance premium) caused by the contract at approach of the event (insured event) provided in the contract to compensate to the insurer or other person in which advantage the contract, losses in the insured property or losses in connection with other property interests of the insurer within the sum defined by the contract (the insurance sum) is concluded.

Under the contract of property insurance following property interests can be insured, in particular:

- ✓ Risk of destruction (loss), shortage or damage of certain property;
- ✓ Risk of responsibility under the obligations arising owing to a trespass of life, health or property of other persons, and in the cases provided by the law, also responsibility under contracts - risk of a civil liability;
- ✓ Risk of losses from enterprise activity because of infringement of the obligations by counterparts of the businessman or change of conditions of this activity under obligations not dependent on the businessman, including risk of non receipt of expected incomes - enterprise risk. Under the insurance contract the enterprise risk only in favour of the insurer [13] can be insured.

As insurers the legal bodies having the permissions (licence) to realisation of insurance of the corresponding sort [3] can conclude insurance contracts.

12.6. Intermediary business

In developed market economy an important sort of activity is intermediary enterprise activity. In the course of its organisation subjects of

economic activities do not make and do not sell directly the goods, and represent itself as intermediaries between manufacturers and consumers.

The *intermediary* is a person (legal or physical), representing interests of the manufacturer or the consumer, but that not being. Intermediaries can guide enterprise activity independently or to act in the market from a name (under the commission) the manufacturer or consumers. As the intermediary enterprise organisations in the market the wholesale *snabzhenchesko*-marketing organisations, brokers, dealers, distributors, stock exchanges, in some measure commercial banks and other credit organisations act. Intermediary enterprise activity is rather brave, therefore the businessman-intermediary establishes in the contract level of the price taking into account risk degree.

The manufacturer at work with the intermediary receives benefits from use of its client base, decrease in marketing expenses, publicity expenses and production advancement. Large wholesalers have possibility to carry out purchase with superfluous capacity, optimising the production program of the industrial enterprises during demand seasonal variations. However they can as well to force down the prices, to establish the pricing policy, to sell simultaneously and production of competitors. Overall performance with intermediaries defines competition level between them [13].

12.7. Franchising activity

The franchise represents one of new sorts of enterprise activity who is especially popular in the developed countries and starts to get gradually on our market. In a domestic science the concept of commercial concession close under the maintenance to system of a franchise is often used.

The **essence of a franchise** consists that the large and respectable firm (*Franchiser*) gives to the small enterprise beginning the way in business (*franchising*), the right (*franchise*) during certain time and in a certain place to guide enterprise activity with use of technology already fulfilled and justified, a know-how, a known and popular trade mark, possibilities of training of the personnel and reception of necessary consultations. Usually франчайзер incurs obligations on delivery of the equipment, raw materials and materials, assists in the organisation and a business management, and on occasion renders the франчайзи the direct financial help, giving credits, or the indirect help in the form of the guarantee and warranties. All these conditions make a reservation in the special contract about франчайзинговой activity.

Relations of the parties of commercial concession are alternative of the relations arising between basic and affiliated enterprises, and a franchise method - alternative to the state support of small business.

Distinguish some types and franchise sorts. The basic types are a commodity, industrial, business, affiliated and conversion franchise.

The *commodity franchise* represents franchise sale for commodity mark and distributive system of sale of the goods made франчайзером. At an *industrial franchise* the large companies grant licences to other enterprises on use of the trade mark or a trade mark at manufacturing of production which is made with the help патентованного process and (or) a know-how. The *business franchise* represents licensing for a trade mark and a way of retail trade in the goods and services, and also know-how use in this sphere.

The *affiliated franchise* assumes the organisation of independent business under "home nursing" франчайзера, i.e. the parent (head) company. The *conversion franchise* means transition (conversion) to selective systems of sale (selective or exclusive distribution of production only франчайзи).

Franchise principal views are individual and regional (territorial). At the *individual* franchise which is the most widespread sort, the licence (franchise) is on sale on any one sort of business. At a *regional* franchise are created two - three-level франчайзинговые the structures operating in certain region (territory) and having uniform headquarters plant (uniform франчайзера).

Франчайзер receives following benefits from sale of franchises: fast expansion of scales of business at small financial expenses, a scale effect and economy of costs, the customs duties, reception of the income in the form of payments of a royalty from users of licences, advancement of the trade mark in the foreign markets.

Franchising the given system gives use possibility at the organisation of business of a known trade mark, modern industrial, administrative and marketing technologies (know-how), methods of training of the personnel, consultations of experts, partial financing of publicity expenses and other expenses from outside франчайзера [8].

Rules of law of commercial concession are established in the Civil code of Belarus. The contract of commercial concession on which conditions one party (legal owner) undertakes to give to other party (user) for certain compensation for term or without instructions of term the right to use in enterprise activity of the user a complex of the exclusive rights belonging to the legal owner, including the right to a company name and (or)

a commercial marking-off of the legal owner, the protected commercial information, and also other objects of exclusive rights provided by the contract - a trade mark, a service mark and etc. is put in a basis правоотношений its participants

The contract of commercial concession the right of the user to transfer a complex of the exclusive rights given to it or their part to the third parties on the terms of subconcession (subfranchise) can be provided.

13. FEATURES OF MANAGEMENT OF THE ENTERPRISES VARIOUS ORGANIZATIONAL-LEGAL FORMS

13.1. Individual business and simple Associations

Individual business. *Individual businessmen* are understood as the physical persons who are registered when due hereunder and carrying out enterprise activity without formation of the legal person under the property responsibility for the purpose of reception of profit.

The enterprise activity of citizens which are carried out without formation of the legal person, is regulated by the same size standards of the Civil code of Belarus and other is standard-legal documents, as economic activities of legal bodies. The individual businessman as well as legal bodies, have the right to be engaged in any kinds of the enterprise activity which has been not forbidden by the law.

In territory of Belarus in enterprise activity all capable citizens, and also foreign citizens and persons without citizenship can be engaged.

It is forbidden to be engaged in enterprise activity without formation of the legal person by the civil servant, to workers of militia, workers of bodies of Committee for State Security, military men, workers of tax service, the persons deprived of this right by a judgement.

Individual enterprise activity has following advantages:

- ✓ procedure for registration of enterprise activity and accounting and reporting conducting is simplified;
- ✓ At the taxation incomes of the businessman decrease for quantity of the made expenses connected with realisation of enterprise activity;
- ✓ simplified scheme of the taxation for choice is applied: payment of the uniform fixed tax, surtax or the profit tax (incomes).

At the *state registration* the individual businessman represents to registering bodies (executive committees):

- ✓ The statement made under the fixed form;
- ✓ work record card or documents from a former place of work;
- ✓ document on admission fee payment;
- ✓ Photos.

In the statement data on the citizen are specified in registration, sorts of planished activity and codes corresponding to these sorts by the nationwide sizing machine. If further there is a necessity to change or add sorts of enterprise activity, new registration is required.

The state registration of businessmen is carried out by registering body within 30 days from the date of feed of documents. It is possible to direct documents to registration body the valuable item of mail with the notice and the nesting inventory.

Within 10 days after registration (certificate reception) the individual businessman should become on the account in tax department on a place of residence. At statement in tax department registration number of the payer (VHII) is when due hereunder assigned. After that the businessman can open the bank account and carry out enterprise activity [3].

According to earlier current legislation the individual businessman has the right to involve no more than three workers under labour contracts and to use no more than four trading objects, including vehicles, premises for storage of the goods and etc. However the Decree of the President of Belarus № 760 from 29.12.2006 «About entering of additions and changes into the Decree of the President of Belarus from June, 18th, 2005 № 285» «About some measures on regulation of enterprise activity » defines that since January, 1st, 2008 individual businessmen can carry out the activity only with attraction of members of a family and near relations (spouses, the spouse, parents, children, the adoptive fathers adopted, adopted, brothers and sisters, the grandfather, the grandma, grandsons). At non-observance of this condition, the enterprise should be transformed to the legal body.

The individual businessman can stop the activity voluntary, making calculations with workers and having put in the statement in registering body, having caused the auditor. Liquidation of the individual businessman can be realised in a judicial order at a recognition its bankrupt, and at insufficiency of means sale of personal property of the businessman is carried out.

Simple associations. *Simple association* is the association formed under the contract on joint activity by two or several persons (companions) on the basis of connection of the contributions and joint action without formation of the legal person for extraction of profit or achievement of other purpose not contradicting the law. The simple association is created under the contract for realisation of enterprise activity between the parties which can be only individual businessmen and (or) the commercial organisations. Participants of simple association are the aforementioned companions which contribution all admits that they bring in common cause, including money, other property, professional and other knowledge, skills and abilities, and also business reputation and business ties. The monetary estimation of the contribution of the participant of simple association is made under the agreement of parties.

Using general property is carried out on a consensus of founders, and at недостижении the consent - in an order established by court. The agreement of companions defines an order of a coating of expenses and the losses connected with their joint activity. In the absence of such agreement each companion incurs expenses and losses of proportionally cost of its contribution to common cause. Got by companions as a result of their joint activity the profit is distributed proportionally contribution costs [3, 8].

13.2. Economic associations

Economic associations are the commercial organisations with divided into shares складочным the capital. Money, securities, other things or property rights or other means having a monetary estimation can be the contribution to property of economic association.

Economic associations can be created in the form of full association and a general partnership. Individual businessmen and (or) the commercial organisations can be participants of full associations and full companions in associations on belief. The size of an authorised capital stock of economic associations is established at the discretion of proprietors and at the moment of the state registration should be generated on 100 %.

Full association. The association which participants (full companions) according to the encased contract are engaged in enterprise activity on behalf of association admits to them and solidary bear субсидиарную responsibility under its obligations all property belonging to them. The person can be the participant only one full association.

The full association is created and operates on the basis of *articles of incorporation* which subscribes all its participants (full companions). In articles of incorporation the company name of full association, a place of its finding, an order of management should be specified them, conditions about the size and structure складочного the association capital, the size and an order of change of shares of each of participants in складочном the capital, the size, structure, terms and an order of entering by them of contributions, about responsibility of participants for infringement of duties on entering of contributions. In articles of incorporation conditions and an order of distribution of profit and losses between participants, an exit of founders (participants) from association structure should be provided an order of joint activity on creation of association, a condition of transfer to it of property and participation in its activity.

Management of activity of full association is carried out on a consensus of all participants, but articles of incorporation cases when the decision

is accepted by majority of votes can be provided. The participant of full association has no right without the consent of other participants to make on its own behalf in the interests or in interests of the third parties the transactions homogeneous with what make a subject of activity of association.

Losses of full association are distributed between its participants to proportionally their shares in складочном the capital if other is not provided by articles of incorporation or other agreement of participants. Participants of full association have the right to leave it, having declared refusal of participation in association not less than six months prior to an actual exit. The left participant answers for obligations the association, arisen till the moment of its leaving, within two years from the date of the statement of the report on association activity for a year in which it has left association.

General partnership. The association in which along with the participants who are carrying out on behalf of association enterprise activity and answering for obligations association by the property (full associations), is available one or several participants-investors (командистов) which bear risk of losses of association within the sums of the contributions brought by them is accepted by it and do not accept participation in realisation of enterprise activity.

The general partnership is created and operates on the basis of articles of incorporation which subscribes full companions. Participation of the investor in складочном the capital makes sure the certificate, association given out to it. The investor of a general partnership has the right to receive a part of share profit of association, to get acquainted with annual reports and balance of association, upon termination of a fiscal year to leave association and to receive the contribution to an order provided by articles of incorporation.

The general partnership remains, if in it remains not less than one full companion and one investor. At leaving of all investors the general partnership should be transformed to full association. At liquidation of a general partnership investors have the primary right before full companions on reception of contributions from property of the association which have remained after satisfaction of requirements of creditors [3].

13.3. Limited liability company

The limited liability company is established and functions according to the Civil code of Belarus and the law of Belarus «About joint-stock companies, limited liability companies and societies with additional responsibility». *Limited liability company* (further - the society) admits creat-

ed by one or several persons the economic society which authorised capital stock is divided into shares of the sizes defined by constituent documents. Participants of a society do not answer under its obligations and bear risk of the losses connected with activity of a society, within cost of the contributions brought by them.

Citizens and legal bodies can be *participants of a society*. The society can be founded one person who becomes the unique participant. The number of founders of a society should not exceed a limit established by the legislation. In case of excess of this number the society within a year should be transformed to joint-stock company or in production cooperative.

Constituent documents of a society are the articles of incorporation and the charter. If the society is established by one person, the constituent document is the charter confirmed by this person. If the number of participants of a society two and more, between them consists *articles of incorporation* in which founders undertake to create a society and define an order of joint activity on its organisations, and also structure of founders (participants) of a society, the size of an authorised capital stock and the size of a share of each of founders (participants) of a society, the size and structure of contributions, an order and terms of their entering into a society authorised capital stock at its establishment, responsibility of founders of a society for duty infringement on entering of contributions, conditions and a distribution order between founders of a society of profit, structure of authorities and an order of an exit of participants from a society.

The society *charter* should contain following data:

- ✓ full and reduced company name of a society;
- ✓ Data on the society location;
- ✓ Data on structure and the competence of authorities of a society, including about questions decisions on which are accepted unanimously or the qualified majority of votes;
- ✓ Data on the size of an authorised capital stock of a society;
- ✓ Data on the size and a face-value of a share of each participant of a society;
- ✓ rights and duties of participants of a society;
- ✓ Data on an order of an exit of the participant from a society;
- ✓ Data on an order of transition of a share (a share part) in authorised *капитале* societies to other person;
- ✓ Data on an order of storage of documents of a society and granting of the information to participants and other persons;

✓ Other data provided by the law (data on branches of a society and its representations) [8].

By the society charter the maximum size of a share of the participant in the society authorised capital can be limited. The *size of the authorised capital* for Open Company is established at the discretion of founders and at the moment of registration should be generated on 100 % [3].

The increase in an authorised capital stock of a society is supposed only after its full payment. It can be carried out at the expense of property of a society and (or) at the expense of additional contributions of participants of a society if it is not forbidden by the society charter, at the expense of contributions of the third parties accepted in a society.

The *managementsupreme body* is general meeting of participants of the society which competence is fixed by the law of Belarus «About joint-stock companies, limited liability companies and societies with additional responsibility». To the exclusive competence of general meeting carry decision-making on change of the charter of a society and the size of its authorised capital, formation of executive powers of management and the preschedule termination of their powers, the statement of annual reports, the balance sheet and distribution of profit, reorganisation and society liquidation, election of a revision committee (auditor).

The *executive office* presiding the running activity and accountable general meeting, can be joint (board, management) and (or) individual (director). The society charter formation of board of directors (supervisory board) of the society which is carrying out supervision of activity of executive powers of management during the period between meetings [3] can be provided.

The society can be voluntary reorganised in the form of merge, joining, parting, allocation and transformation. The society can be liquidated in an order established by the Civil code of Belarus, the law or under the arbitration court decision according to the legislation on an inconsistency (bankruptcy).

The society can have affiliated and dependent societies according to the civil legislation. The society admits *affiliated* if other economic society or association owing to prevailing participation in its authorised capital stock or according to the prisoner between them the contract has possibility to define the decisions accepted by such society. The society if another (prevailing, participating) the economic society has more than 20 % of an authorised capital stock of the first society admits *dependent*. The society which has got more than 20 % of an authorised capital stock of other socie-

ty or 20 % of actions of joint-stock company, is obliged to publish immediately data in a state structure of the press [3].

13.4. Additional liability companies

Additional liability company is a company which authorised capital stock is divided into shares of the sizes defined by constituent documents admits founded by one or several persons. Participants of a society with additional responsibility solidary bear subsidiary responsibility under its obligations the property in the multiple size identical to all to cost of their contributions established by constituent documents of a society.

At bankruptcy of one of participants of a society its responsibility under obligations ALC is distributed between participants to proportionally their contributions if other order of distribution of responsibility is not provided by constituent documents of a society. The *size of additional liability* under the legislation should be not less than 50 base sizes. The *ustavnyj fund* is formed similarly to Open Company [3].

The company name of a society with additional responsibility should contain the society and word name «additional liability».

Constituent documents of a society with additional responsibility are the *articles of incorporation* and the *charter* in which the structure of data is established also, as well as in limited liability companies.

13.5. The open and closed joint-stock companies

Legal bases of creation and management of joint-stock company are established by the Civil code of Belarus and the law of Belarus «About joint-stock companies, limited liability companies and societies with additional responsibility». Under *joint-stock company* the commercial organisation which authorised capital stock is divided into certain number of the actions certifying liability laws of founders (shareholders) in relation to joint-stock company admits.

Shareholders do not answer for obligations a society and bear risk of the losses connected with its activity, within cost of actions belonging to them. The joint-stock company can be created by establishment new or re-organisation of the existing legal person (merge, joining, parting, transformation). The Joint-stock company can be opened or closed.

Open joint-stock company (Open Society) is a society which has the right to carry out an open subscription to actions let out by it and to carry out their free sale taking into account legislation requirements. Shareholders of an open society can alienate actions belonging to them without the

consent of other shareholders of a society. The number of shareholders of an open society is not limited. The minimum dimension of the authorised capital of Open Society should be equal not less than 400 base sizes and at the moment of registration is generated on 100 %.

Shut joint-stock company (Joint-Stock Company) is a society which actions are distributed only among founders or other, preset, a circle of persons. The shut society has not the right to carry out an open subscription to actions let out by it, or otherwise to offer them for acquisition to an unlimited circle of persons. In a case if the number of shareholders of a shut society will exceed a limit established by the legislation, the specified society within a year should be transformed to the opened. Shareholders of Joint-Stock Company have the right of priority of acquisition of the actions sold by other shareholders of this society, at the price of the offer to other person. The minimum dimension of the authorised capital for Joint-Stock Company makes not less than 100 base sizes. In case participants of societies are foreign investors (COOO, IOOO, C3AO, И3AO, COAO, IOAO, ИЧУП, etc.) The minimum dimension of the contribution of each foreign participant should make not less than 20000 US dollars. Thus entering of contributions by foreign founders is distributed for two years: 50 % in the first year of work of the commercial organisation and 50 % within the second year.

Founders of joint-stock company citizens or legal bodies can be. The society can be founded one person, the decision on society establishment is the person accepts unanimously. But the society cannot have other economic society consisting of one person as the unique founder.

Founders of a society conclude among themselves the written contract on its creation, defining procedure them of joint activity on society establishment, the size of an authorised capital stock, a category and types of actions, the size and an order of their payment, the right and a duty of founders on society creation. The contract on society creation is not the constituent document.

Election of authorities of a society is carried out by founders the majority in three quarters of voices which represent subject to placing among founders of a society of the action.

The *constituent document* of joint-stock company is the *charter* which requirements are obligatory for execution by all bodies of a society and its shareholders. Except data which contain in the charter of other societies, the joint-stock company charter should include the following information in addition: a society type (opened or closed), quantity, a face-value, cate-

gories (ordinary, exclusive) actions and types of preference shares, the rights of shareholders-owners of actions of each category.

The charter a society restrictions of quantity of the actions belonging to one shareholder, and also the maximum poll, given to one shareholder can be established.

Besides, in the charter the information by quantity and a face-value of actions which the society has the right to place in addition to the placed actions (the declared actions) can be stated. The society charter also should contain data on the size of the dividend and (or) the cost paid at liquidation of a society (liquidating cost) under preference shares of each type. In the charter can be established that not paid or short paid dividend under preference shares of a certain type collects and paid subsequently (cumulative preference shares).

The joint-stock company *authorised capital stock* is made of a face-value of the actions got by shareholders. The face-value of all ordinary actions of a society should be identical. The society authorised capital stock defines the minimum dimension of property guaranteeing interests of its creditors. The society authorised capital stock can be increased by placing of additional actions which can be placed a society only within the quantity of the declared actions established by the charter of a society. If upon termination of the second and each next fiscal year cost of a part of actives of a society appears less than its authorised capital stock, the society is obliged to declare reduction of the authorised capital stock to the size which are not exceeding costs of its net wealth.

Formation of an authorised capital stock of a society is carried out by exhaust and placing of actions which societies at establishment should be completely paid during the term defined by the charter. Payment of actions and other securities of a society can be carried out by money, securities, other things or other rights having a monetary estimation.

At society establishment its actions should be placed among founders and are nominal. The society lets out and places ordinary and preference shares of several types, but a face-value of the placed preference shares should not exceed the size established by the legislation. Each ordinary action of a society represents to the shareholder - to its owner - identical volume of the rights.

The society in the order established by the legislation should guide the register of shareholders in which data on each registered person, quantity and categories (types) of the actions which have been written down addressed to each owner are specified.

The society which has carried out placing of actions, or the purpose-built registrar can be the holder of the register of shareholders of a society. The society with number of shareholders more than 50 is obliged to charge conducting and storage of the register of shareholders to the purpose-built registrar.

The society has the right to make of once a year decision to (declare) about payment of dividends on the placed actions. Dividends are paid by money or other property from society net profit for the running year, but under preference shares of certain types can be paid for the account of funds of a society specially intended for it.

The society has no right to make the decision on payment of dividends under actions:

- ✓ Before full payment of all authorised capital stock of a society;
- ✓ To the repayment of all actions which should be redeemed according to the legislation;
- ✓ If at the moment of payment of dividends the society answers signs of an inconsistency (bankruptcy) or the specified signs will appear at a society as a result of payment of dividends.

In a society the *backup fund* intended for a coating of its losses, also for repayment of bonds of a society and the repayment of actions in case of absence of other means can be created. The backup fund cannot be used for other purposes.

The society charter formation from net profit of *purpose-built fund акционирования workers of a society* can be provided. Its means are spent exclusively for acquisition of actions of the society sold by shareholders of this society, for the subsequent placing among workers.

The society according to the legislation on securities and the charter can place bonds and other securities. The *bond* certifies the right of its owner to demand bond repayment (face-value or face-value payment and percent) in target dates. Exhaust of bonds without maintenance is supposed not earlier than the third year of existence of a society and under condition of the appropriate statement by this time of two annual balances of a society.

Joint-stock company authorities are general meeting of shareholders, board of directors (supervisory board) of a society and a management executive office.

The *supreme body of management* of joint-stock company is general meeting of shareholders. The annual meeting is spent to the terms established by the charter of a society, but not earlier than in two months and not later than in six months after the termination of year.

At annual meeting of shareholders of a society the question on election of board of directors (supervisory board) of a society, a revision committee (auditor), the statement of the auditor of a society is solved, the society annual report, the balance sheet, the account of profits and society losses, distribution of profit and losses are considered and affirm presented by board of directors (supervisory board).

The competence of general meeting of shareholders of a society includes the decision of the major questions of ability to live of joint-stock company (joint-stock company), among which following: modification and additions in the charter, reorganisation or joint-stock company liquidation, appointment of the liquidating commission and the statement of intermediate and definitive liquidating balances, definition of quantitative structure of board of directors and their election, definition of quantity, a face-value, a category (type) of the declared actions and the rights given by these actions, increase or authorised capital reduction, formation of authorities, election of a revision committee (auditor), the statement of the auditor of a society, the statement of annual reports and profit distribution, payment (announcement) of dividends, decision-making on approval of large transactions, participation in the holding companies, financial and industrial groups, associations and other associations of the commercial organisations.

The *board of directors* (supervisory board) carries out a general management of society activity, except for the decision of the questions carried to the exclusive competence of general meeting of shareholders. Councillors of directors are selected general meeting of shareholders for a period of one year and can be re-elected unlimited number of times. The chairman of board of directors is selected councillors of directors from their number by a majority of votes.

The joint-stock company *executive office* presides at the running activity. It can be *individual* (the director, the general director), or a *joint* executive office societies (board), or both bodies preside at a society simultaneously. Thus the society charter the competence of each of them should be defined.

The individual executive office of a society (the director, the general director) operates without the society power of attorney, including represents its interests, makes transactions on behalf of a society, confirms staff of workers, issues orders and instructs, obligatory for execution by all workers of a society. Under the decision of general meeting of shareholders, powers of an executive office can be transferred under the contract of

the commercial organisation (the operating organisation) or the individual businessman.

The society revision committee is selected general meeting of shareholders according to the society charter. Audit of financial and economic activity of a society is carried out following the results of society activity for a year, and also at any moment at the initiative of a revision committee, meeting of shareholders or board of directors (supervisory board) [3].

The joint-stock company can have dependent and affiliated societies, create branches and open representations. The joint-stock company can be liquidated in a voluntary order or under the arbitration court decision at a recognition its bankrupt.

13.6. Production co-operative

Production co-operatives are created and carry out the activity according to the Civil code of Belarus and other is standard-legal documents.

The *production co-operative* is the commercial organisation which participants carry out enterprise activity on the basis of association of property shares and personal labour participation and bear субсидиарную responsibility under obligations in the limits established by the charter, but not less than size of the received revenue in co-operative society.

The law establishes the expanded field of activity of production co-operatives: manufacture, processing, it is sold industrial and other production, trade, building, household and other sorts of service, mining operations, other natural resources, gathering and processing of secondary raw materials, carrying out research, construction work, and also rendering medical, legal, marketing and other types of service not forbidden by the law.

The production co-operative is formed exclusively under the decision of its founders. The number of members of co-operative society cannot be less than three persons. Members of co-operative society, considering requirements of personal labour participation, there can be only physical persons. The production co-operative property initially consists of shares of its members and is its property. It shares on shares, but it does not mean presence of the share property. The size of the share does not depend on a share and does not influence the rights of participants.

By the time of the state registration of co-operative society уставный the fund should be generated on 100 % at the expense of entering of shares of members of co-operative society. The size of the authorised capi-

tal also as well as for many other legal bodies (except joint-stock companies) is not regulated by the legislation.

The civil code of Belarus provides possibility of creation on the basis of the unanimous decision of members of co-operative society *of the indivisible funds* used for the purposes, defined by the production co-operative charter.

The *constituent document* of co-operative society is the *charter* confirmed by general meeting of members of co-operative society. In the production co-operative charter, unlike other organizational-legal forms, additional data on the sizes of shares, an order and terms of their entering, character of personal labour participation of members of co-operative society in its activity and their responsibility, an order of the introduction of new members, conditions of a voluntary exit or an exception of members of co-operative society should contain. In a co-operative society company name words "production co-operative" or "artel" should be specified necessarily.

Authorities co-operative society are general meeting of its members, the supervisory board and executive powers - board and (or) the chairman of co-operative society. The *supreme body of management* of co-operative society is general meeting of its members which decisions on any question of formation and co-operative society activity have the right to consider and make. Each member of co-operative society irrespective of the size of its share has one voice at decision-making by general meeting. General meeting of members of co-operative society is spent not less often than once a year, not later than in three months after the termination of year.

In large co-operative societies the supervisory board members of co-operative society should be which members only can be created. The *supervisory board* carries out the supervisory control of activity of executive powers of co-operative society. The member of the supervisory board simultaneously cannot be the trustee of co-operative society and its chairman. Members of the supervisory board of co-operative society have no right to make action on behalf of co-operative society.

The structure of executive powers of co-operative society includes *board* and (or) the *chairman* which are selected general meeting from among members of co-operative society and preside at its activity during the period between meetings. The co-operative society board is headed by the chairman. Powers of the chairman of co-operative society are established by the charter. Executive powers are accountable to the supervisory board and general meeting of members of co-operative society.

With a view of monitoring procedure behind financial and economic activity of co-operative society general meeting of members of co-operative society selects a revision committee or the auditor.

The co-operative society can be voluntary reorganised in the form of merge, joining, parting, allocation or transformation under the decision of general meeting of its members. The co-operative society is liquidated under the decision of general meeting or in connection with a recognition court of void state registration of co-operative society. The co-operative society can be liquidated also on a judgement in case of realisation of activity without the special licence (in licensed spheres), inappropriate to authorised documents or in case of numerous or rough infringements of the law, and also owing to its recognition insolvent according to the law of Belarus «About an economic inconsistency (bankruptcy)» [3].

13.7. The unitary enterprises

The *unitary enterprise* is the commercial organisation founded under the decision of the proprietor of property (the physical or legal person, the authorised state structure) which belongs to it on the right of economic conducting or an operational administration. The civil code of Belarus supposes creation possibility, along with state, the private unitary enterprises.

The property of the unitary enterprise is indivisible and cannot be distributed under contributions (to shares, shares), including between workers. As a matter of fact the property of the unitary enterprise belongs to the uniform proprietor (unite - in the lane with English *unitary, uniform*) in which quality can act: republican authorities - the republican unitary enterprises (PYII), local state structures of management - the municipal unitary enterprises (KYII) and private physical or legal bodies - the private unitary enterprises (ЧYII). The unitary enterprises are the convenient form in a case when the proprietor wishes to keep complete control of use of the property and business management by administration. The property is transferred to the unitary enterprise on the right of economic conducting or an operational administration. The *company name* of the unitary enterprise should contain instructions on the proprietor of property.

The unitary enterprise which is in the republican property, based on the operational administration right, name the *state enterprise*. It is created under the decision of the government of Belarus. The typical charter of the state enterprise confirms the Government of Belarus which also appoints the director, concluding with it the contract.

The proprietor of the property which is in economic conducting, according to the law solves questions of creation of the enterprise, definition of a subject and the purposes of its activity, its registration and liquidation, appoints the director (head) of the enterprise, confirms the charter, carries out the supervisory control of a suitable application and safety of property. The enterprise has not the right to sell belonging to it on the right of economic conducting real estate, to lease it, to pawn, bring as the contribution in уставный (складочный) the capital of economic societies and associations or otherwise to dispose of this property without the consent of the proprietor.

The state enterprise concerning the property fixed to it carries out the rights of possession, using and the order it (with the consent of the proprietor of this property) in the limits established by the law, according to the purposes of the activity, tasks of the proprietor and property appointment.

The *constituent document* of the unitary enterprise is the *charter* which should contain following data:

- ✓ name of the unitary enterprise with instructions on the proprietor of its property;
- ✓ place of its finding;
- ✓ order of management of activity of the unitary enterprise;
- ✓ subject and the purposes of activity of the enterprise;
- ✓ size of the authorised capital, an order and sources of its formation;
- ✓ Other data connected with activity of the enterprise.

*Site*PUC the premises (a dwelling unit, a residential building) the physical person can be. At realisation of industrial activity (performance of works, rendering of services) the premises in which the unitary enterprise is registered, should be when due hereunder translated in uninhabited fund.

The minimum dimension of *the authorised capital* for the unitary enterprises is not established by the legislation, i.e. formed under the decision of proprietors UC. The representative on creation of the unitary enterprise a state structure (local government) or the private person forms уставный fund which should be completely paid the proprietor till the moment of the state registration of the unitary enterprise. If upon termination of a fiscal year cost of a net wealth of the enterprise appears less authorised capital stock, the authorised body is obliged to carry out authorised capital reduction.

The unitary enterprise on the right of economic conducting can be liquidated under the decision of the proprietor or on a judgement at a recognition its bankrupt. The state enterprise cannot be recognised by insolvent,

and its reorganisation or liquidation is spent only under the decision of the government of Belarus [3].

13.8. Associations of the enterprise organisations

Associations of the enterprise organisations are not special organizational-legal forms. In a case if they are allocated by commercial functions should be registered in one of *вышерассмотренных* forms. If their functions are not connected with commercial activity they function according to the legislation regulating activity of the noncommercial organisations. Now allocate following basic forms of association of the enterprise organisations: the state associations (concerns), holdings, financial and industrial and other economic groups, associations (unions).

The *state associations* to which are carried including concerns, industrial and research-and-production associations, are created under the decision republican (the president of Belarus, the government Belarus authorised by them the state organisations) or local state body by branch, territorial or other principle with a view of realisation of a general management and management by activity of the commercial into association commercial and noncommercial organisations, co-ordination of their activity and representation of interests of participants before other managing subjects and state bodies.

By a general rule, the state associations are the noncommercial organisations. However under the decision of corresponding state bodies they can be allocated with commercial functions. Besides, the associations (concerns) created before coming into force of positions of the new Civil code of Belarus (1999), continue to keep the status of the commercial organisations until further notice their founders.

As participants of the state associations along with the state organisations the private organisations and individual businessmen on voluntary conditions and in an order defined by the charter of association can act. All participants of association (concern) keep the rights of the legal person (or the individual businessman) and association, and on the contrary do not answer for obligations.

The state association (concern) operates on the basis of the *charter* which affirms a state structure (official), made the decision on its creation, or the body authorised by it. In the charter the order and sources of formation of property of association are without fail reflected.

The property of the state association is in state ownership and belongs to it on the right of economic conducting or on the operational administra-

tion right. The property of participants of association (concern) is not a part of property of the association, i.e. participants of association at its creation do not consolidate the property.

It is necessary to notice that in a new wording the Civil code of Belarus such form of association of subjects of managing as concern, and the organisations functioning in such form, should bring respective alterations in the constituent documents is not provided. However in the international practice the *concern* is understood as the enterprise which is occupying a leading position in the market and carrying out functions of the uniform centre of decision-making by means of the gear of possession by a controlling interest of other enterprises of branch. Last circumstance speaks about similarity of concern and holding.

The concept "holding" in Belarus has been fixed for the first time in the legislation on privatisation. Position about the holdings created in the course of privatisation and privatisation of the republican property, defines *holding* as the legal body of any organizational-legal form into which structure of property enter and (or) in which management there are shares (action) in property of other legal bodies, providing to it the right of acceptance or a deflexion of the decisions accepted by their supreme bodies of management.

Position about holdings distinguishes *three types of holdings*:

✓ *Industrial* - the holding which is carrying out economic activities and functions of the holder of actions (less than 50 % of property make shares in property of other legal bodies);

✓ *Financial* - holding in which more than 50 % of property make shares (action) in property of other subjects of managing;

✓ *смешанный* - the holding which is carrying out economic activities and functions of possession by a controlling interest or shares (more than 50 %) in property of other legal bodies.

Into number of participants (shareholders) of the holding companies and their branches at their creation can enter also legal and the physical persons recognised as buyers according to the legislation on privatisation, designated further as foreign investors. Number of participants (shareholders) of the holding companies beyond all bounds.

Advantages of holdings consist in possibilities of realisation of a uniform corporate policy, struggle against a global competition, in use of a scale effect of manufacture and sale for decrease in costs, achievement of high efficiency in the international movement of the capital, minimisation of negative impact of the state on the enterprises.

Holding negative sides: aspiration to monopolism (олигополии), to supervisory control strengthening over the enterprises; artificial maintenance of the unprofitable enterprises at the expense of the profitable. To do not let market monopolisations, the state at registration of holding demands reception of the consent of the state antimonopoly authority.

By the legislation of our country concerns and holdings, can get such form of association of enterprise activity, as economic and financial and industrial groups.

The *economic group* is not having the status of the legal person association of legally independent commercial and noncommercial organisations for the general or co-ordinated enterprise activity based on property and non-property relations. The decree of the President of Belarus № 482 from 27.11.1995 «About creation and activity in republic of economic groups» provides creation of economic groups by way at which one participant of group (parent organisation) possesses a share in property of each of other participants of group or other rights supposed by the legislation in such a manner that this share and these rights provide parent organisation possibility of acceptance or a deflexion of decisions of the supreme body of management of each participant of economic group. The economic group created in such a way is not that other as holding.

According to the law of Belarus from June, 4th, 1999 «About financial and industrial groups» the *financial and industrial group* is understood not having the status of the legal person as association of the commercial and noncommercial organisations operating in banking and industrial sphere, created for realisation of joint enterprise activity of its participants by association of their contributions on the basis of the contract on creation of financial and industrial group.

The legal bodies who have signed the contract on its creation, and the central company founded by them can be participants of financial and industrial group. The structure of financial and industrial group can include the commercial and noncommercial organisations, including foreign, except for the public and religious organisations.

Creation of financial and industrial group is carried out on the basis of the *contract* concluded between participants which should contain data on the name of financial and industrial group, an order of establishment of the central company as the legal person authorised on business management of financial and industrial group, an order of modification of structure of participants, volume, an order and conditions of formation of actives, the purposes of association of participants and contract period of validity.

For the state registration the central company of financial and industrial group represents following documents to a proxy state structure:

- ✓ demand for creation of financial and industrial group;
- ✓ contract on creation of financial and industrial group;
- ✓ Notarially-certified copy certificates on registration of constituent documents, copies of registers of shareholders of each of participants;
- ✓ organizational project;
- ✓ Notarially certified and legalised constituent documents of foreign participants;
- ✓ conclusion of republican antimonopoly body.

The *supreme body of management* of financial and industrial group is the board of governors of financial and industrial group including representatives of all its participants. The competence of board of governors of financial and industrial group is established by the contract on creation of financial and industrial group.

Associations (unions) of the commercial organisations are created and carry out the activity according to the Civil code of Belarus and the law of Belarus «About the noncommercial organisations». *Associations (unions)* are associations of the commercial organisations and (or) the individual businessmen, created on the basis of the contract with a view of coordination of their enterprise activity, representation and protection of their general property interests.

Associations (unions) of the commercial organisations are the non-commercial organisations but if under the decision of participants conducting enterprise activity is assigned to association (union), such association (union) will be transformed to an economic society or association. The legislation accurately defines that the association (union) has the status of the legal person with all its signs. Thus it does not answer for obligations the members while the last bear subsidiary responsibility under association obligations according to its authorised documents.

In associations (unions) public, other noncommercial organisations and establishments on a voluntary basis can be consolidated. Members of association (union) keep the independence and the rights of the legal person, can gratuitously use its services, at own discretion to leave association (union) upon termination of a fiscal year. At a voluntary exit from association (union) or at an exception the member of association bears субсидиарную responsibility under obligations of association (union) to proportionally payment within two years from the moment of an exit.

Constituent documents of association (union) are the *articles of incorporation* signed by its members and the *charter* confirmed by them. The

constituent document should contain following data: the name of association (union) as legal person, a place of its finding, an order of joint activity on its creation, conditions of transfer of association of property and participation in its activity, structure and the competence of authorities association, an order and conditions of an exit of members from association (union).

The *supreme body of management* of association (union) is general meeting of its members. A management executive office can be joint and (or) an individual authority [3].

Associations of the enterprise organisations under the decision of their founders or according to the current legislation are liquidated.

14. CONTRACTUAL RELATIONS IN COMMERCIAL ACTIVITY

14.1. Concept of the transaction and its sorts. Commercial representation

In the conditions of market economy activity of the enterprise organisations is carried out by means of fulfilment of commercial transactions, the conclusion with managing associates of contracts and their executions. Key rules of fulfilment of transactions, general provisions on obligations and contracts are defined by the Civil code of Belarus, and also other is standard-legal documents.

The *transaction* are actions of citizens and the legal bodies, directed on an establishment, change or the termination of the civil rights and duties, including the obligations arising from contracts and other transactions. The *obligation* - правоотношение in which force one person (debtor) is obliged to make certain action in favour of other person (creditor) (to transfer property to perform work to pay money and etc.) or to refrain from certain action, and the creditor has the right to demand from the debtor of execution of its duty under the transaction.

The transaction is a lawful strong-willed action in which statement of the purpose of the transaction and a way of its achievement is reflected. It can be made through representatives of the parties or the uniform commercial representative. The transaction admits valid at observance of some conditions: it is encased by capable citizens, it is made on the basis of conscious will of the parties and lawful way, answers authorised activity of legal bodies.

The transaction is called *consensual* if taken place it is enough for its recognition only agreement achievement between participants. If, except will, fulfilment of certain action (transfer of money) is necessary, the transaction is called *as real*.

The transaction can be *возмездной* when to property granting of one party there corresponds counter satisfaction of other party, and *gratuitous* when the counter obligation does not arise (donation).

The transaction on which payment of the known award grants the right to buy or sell securities or the goods at the fixed price in any day during the certain period of time or in general to refuse the transaction without indemnification, is called *as an option*. The option with the right to buy is the

transaction with the preliminary award (an option «КОЛЛ»), and with the right to sell - the transaction with the return award.

Distinguish following sorts of transactions-options:

✓ *option American* - the version of an option granting the right of sale of goods at any moment before the expiry of the term of an option;

✓ *option European* - the version of an option granting the right of realisation only at the moment of the expiry of the term of an option;

✓ *future option* - a transaction on the stock exchange sort at which the goods are got for the purpose of the subsequent resale at a stock exchange in interests of reception of profit.

The transaction of purchase and sale of the cash goods on the terms of immediate transfer to its buyer carries the name a *spot*. Trade in the exchange goods on the basis of such transactions, as a rule, is carried out in the corresponding spots-markets.

Transactions are subdivided on *single-sided* (enough will of one party) and *two-* or *multilateral* (it is necessary that the will was expressed by two or more persons and their will has coincided).

In commercial activity single-sided transactions were widely adopted. So, the contract results from realisation of interrelated single-sided transactions: offers to conclude the contract (offers) and acceptances of the offer (acceptance).

Transactions can be *conditional* which execution is put in dependence on approach or ненаступления certain circumstances. Distinguish transactions with *отменительным a condition* when the termination of the rights and duties is put in dependence on circumstance on which it is not known, it will come or will not come (the proprietor of a building concludes the lease contract on condition that it operates till the delivery moment to the proprietor of the licence for manufacture opening), and with *отлагательным a condition* when the parties have put occurrence of the rights and duties in dependence on circumstance concerning which it is not known, it will come or not.

The conditional transaction definitely connects the parties: they should not prevent condition approach unfairly.

Transactions are made in the *oral* or *written* form (simple or notarial). The transaction for which the law or the agreement of the parties do not establish the written form, can be made orally. The transaction should be in writing made by drawing up of the document expressing its maintenance and signed by the person or persons, making the transaction, or properly the persons authorised by them.

The written form is obligatory for transactions of legal bodies among themselves and with citizens, and also for transactions between the citizens, exceeding the sum established in the Civil code (*2000 base sizes*). The notarial certificate of transactions necessarily in the cases specified by the legislation (transactions with the real property, purchase and sale of motor transport, etc.), and also the parties provided by the agreement.

Transactions with the earth and other real estate according to the law on registration of the rights to real estate and transactions with them are subject to the state registration (БТИ, executive committees). Registration of the property right, the right of economic conducting, the right of an operational administration, the right of lifelong inherited property (for example, possession and using the parcel), the rights of constant using the real property, and also other rights in the cases provided by the legislation is obligatory. Non-observance of the notarial form and requirements about the state registration of the transaction attracts its invalidity.

The transaction, not capable to generate consequences wished by the parties, but under certain conditions generating undesirable consequences, admits *void*. The void transaction can be recognised by absolutely void (*insignificant*) or concerning void (*оспоримой*).

Insignificant admit:

- ✓ Transactions, misfitting to requirements of the law or other legal certificates of Belarus;
- ✓ Transactions in which infringement of their form, and also requirements about the state registration takes place;
- ✓ Transactions with securities in which there are no obligatory requisites or the form established for them is not observed;
- ✓ transactions obviously directed on infringement of bases of the law and order or morals;
- ✓ imaginary transactions made only for the sake of appearances, without intention to create legal consequences corresponding to it;
- ✓ feigned transactions which are carried out for cover of others (as a rule, illegal) transactions;

То оспоримым concern:

- ✓ transactions of the legal person which are falling outside the limits it правоспособности;
- ✓ transactions concluded without existing restrictions of powers of the person;
- ✓ transactions made by capable citizens, were at the moment of transaction fulfilment in such condition when they were not capable to un-

derstand value of the actions, i.e. in a condition of alcoholic or narcotic intoxication or illness;

- ✓ transactions made under the influence of error concerning the nature of the transaction or such qualities of its subject which considerably reduce possibility of its suitable application;

- ✓ transactions made under the influence of a deceit, violence, threat, the ill-intentioned agreement of the representative of one of the parties;

- ✓ enslaving transactions made on the extremely unprofitable conditions, as a result of confluence of the heavy, compelled circumstances.

Consequences of void transactions:

- ✓ *two-sided restitution* - each of the parties transfers to other party all received under the transaction, and in case of impossibility to return received in nature compensates its cost in money;

- ✓ *single-sided restitution* - only one of the parties of the transaction has the right to return of that it has transferred to other party;

- ✓ *Any restitution* - everything that is received by the parties under the transaction and all due, but not received, collected in the state income (does not correspond to the law).

Representation. The transaction can be made the representative on its fulfilment by the representative on behalf of other person (represented). In a role of the representative the legal body or the capable citizen should act. As the bases for powers of the representative the power of attorney, the law, the certificate of the representative serve on that a state structure or local government.

The *power of attorney* the written authorisation which is given out by one person to other person for representation before the third parties admits. The written authorisation can be transferred to transaction fulfilment represented to directly corresponding third party. The power of attorney on fulfilment of the transactions demanding the notarial form, should be notari- ally certified.

The volume of the rights at representation of interests of other person is defined by the powers received by the representative specified in the power of attorney. In the absence of powers the transaction made by the representative for represented is not concluded. Feature of a legal status of the representative consists that it operates on behalf of represented and in its interest.

The *commercial representative* is a businessman who constantly and independently makes the transactions connected with enterprise activity on

behalf of other businessmen. It has the right to represent as one party in the transaction (traditional representation), and both parties (the seller and the buyer, the contractor and the customer, the lessor and the tenant and etc.). The consent to simultaneous commercial representation, i.e. delivery of the power of attorney or the conclusion of the contract with both parties in the latter case is required. The commercial representative is obliged to keep as a fiduciary to its known data on commercial transactions and after execution of the commission given to it.

Contracts on commercial representation are *возмездными*. The representative has the right to demand payment of the caused compensation and compensation of the costs suffered by it at commission performance. In a case if in the transaction both parties payment of compensation and indemnification of costs of the representative is carried out by the parties in equal shares are simultaneously represented.

The institute of commercial representation offers to the enterprise organisations such advantages, as economy on investment expenses on creation of own branches, possibility of construction of financial relations by a self-support principle, absence of labour *правоотношений* with the representative, simultaneous representation of the different parties in the transaction [8].

14.2. Essence, sorts and an order of the conclusion of contracts

In the course of fulfilment of transactions and realisation of actual enterprise activity subjects of managing enter into among themselves certain agreements named the contract, used for giving to their actions of validity.

The *contract* is the agreement of two or more parties directed on an establishment, change and the termination of the civil rights and duties, including in the field of commercial relations. The contract is two- or the multilateral transaction concluded in the oral or simple written form.

The contract should correspond to the requirements established by size standards of the Civil code of Belarus and other standard documents. The core from these requirements is principle observance «contract freedom». It means that subjects of managing, within operating rules of law, are free in the conclusion of the contract and a choice of the counterparts, definition of its conditions, their change and contract cancellation under the agreement of parties without its appropriate execution.

Contract functions in enterprise activity are reduced to the following:

- ✓ To expression of general will of a commodity producer and the consumer which causes the correct account of supply and demand and serves as a warranty of sale of production;
- ✓ To making fast of relations on the basis of a principle of mutual interest of the parties;
- ✓ To giving to relations of the form of obligations and definition of an order and a way of their performance;
- ✓ Protection of legitimate interests of participants of contractual relations in case of default of obligations by their counterparts.

The Civil-law contract admits enterprise that case when it is used by the subject of business in the course of realisation of the activity directed on regular reception of profit. All civil-law contracts are subdivided into four groups: about transfer (sale) of property, about performance of works, about rendering of services, about joint activity.

The **contract structure** includes the description of following six basic groups of conditions.

1. The *prologue* - number, signing date, the name of the parties, instructions of the person who have signed the contract, and the base on which it operates (the charter, the power of attorney, the certificate).

2. The *contract subject* - is described the maintenance, the nomenclature, assortment and conditions on which a contract subject (the goods, the property) is transferred to the possession other person as object of the commercial transaction.

3. The *rights and duties of the parties*: the rights and duties of the first party under the contract to transfer, put the goods, to perform work or to render service, and the second party to carry out payment (the goods, work, service) at the co-ordinated price of the contract to observe terms and to observe an order of execution of obligations.

4. *Responsibility of the parties* at default of obligations (penalties, penalties);

5. *Other conditions*: contract period of validity, a vis major, conditions of cancellation of the contract, a condition about confidentiality, a resolution of disputes, quantity of copies and a storing place of contracts;

6. *Requisites of the parties* - the legal address of registration, the actual address of a finding, bank details, signatures of the parties.

The *contract parties* can be all right - and capable subjects (legal and physical persons), entered in concrete economic правоотношение. The contract is considered the prisoner if the parties reach the agreement under the essential treaty provisions: a subject the contracts specified in the legislation of a condition for the contract of the given sort, and also a condition

concerning which under the statement of one of the parties the agreement should be reached.

Allocate following principal views **of contracts**.

1. The *purchase and sale contract* is an agreement according to which one party (seller) undertakes to transfer to the possession a thing (goods) of other party (buyer), and the buyer undertakes to accept these goods and to pay for it a certain sum of money (price). According to the Civil code of Belarus contracts of retail purchase and sale, delivery of the goods concern separate sorts of the contract of purchase and sale, deliveries of the goods for the state needs, energy supply, sale of the real property, enterprise sale (a property complex).

2. The *contract of retail purchase and sale* is a contract according to which the seller who is carrying out enterprise activity on sale of the goods at retail, undertakes to transfer to the buyer the goods intended for personal, family, house or other using, not connected with enterprise activity. The contract is considered the prisoner in due form from the moment of delivery by the seller to the buyer of the cash or commodity check or other document confirming payment of the goods.

3. The *delivery contract* - is a version of the contract of purchase and sale and provides the obligation of the supplier-seller who is carrying out enterprise activity, to transfer in certain term the goods made or bought by it to the buyer for their use in enterprise activity or in other purposes which have been not connected with personal, family, house and other similar use. The delivery contract consists in writing.

4. The *contract мены* - provides transfer by one party to the property to other party one goods in exchange for another. To the given contract rules of the contract on purchase and sale are applied. Each of the contract parties мены is simultaneously both the seller and the buyer of the goods whom it undertakes to accept in a swap. Now in our country barter operations are forbidden.

5. The *turnkey contract* - the agreement between the parties on which one party (contractor) undertakes to execute certain work on the instructions of other party (customer) and to hand over its result to the customer, and the customer undertakes to accept result of work and to pay it. The civil code of Belarus establishes following sorts of turnkey contracts: household successively, building, successively on performance of design and prospecting works, contract works for the state needs. Feature of the turnkey contract is the price of work which is defined by drawing up by the contractor of the estimate and its statement the customer, and also possibility of execution of obligations other persons - subcontractors.

6. The *lease contract* (property hiring) is a contract according to which the lessor (наймодатель) undertakes to give to the tenant (employer) property for a payment in time possession and using or in time using. According to the legislation to group of contracts on (rent) assignation carry: general provisions on rent, hire, rent of vehicles (with crew and without it), rent of buildings and constructions, enterprise rent, financial rent (leasing).

Special requirements to transfer to time possession and using of the parcels are fixed by size standards of the Code about the earth, and lots of wood fund - the Wood code of Belarus, regulating the list of objects which can be a subject of the lease contract concluded exclusively between the state subjects.

7. The *contract of financial rent (leasing)* - the agreement according to which the lessor undertakes to get in the property the property specified by the tenant at the seller defined by it and to give to the tenant this property for a payment in time possession and using for realisation of enterprise activity.

8. The *loan agreement* - the contract according to which one party (creditor) transfers to the possession of other party (borrower) money or other things defined by patrimonial signs, and the borrower undertakes to return займодавцу the same sum of money (the loan sum) or equal quantity of the things of the same sort received by it and quality. The loan agreement is considered the prisoner from the moment of transfer of money or other things and can prove to be true the receipt of the borrower. It can provide payment to the creditor of percent or to be without payment.

9. The *credit contract* - the agreement according to which the bank or not banking credit and financial organisation (кредитодатель) undertake to give money resources (credit) to other person (кредитополучателю) in size and on the conditions defined by the contract, and кредитополучатель undertakes to return to (extinguish) the credit and to pay percent for using to them.

10. The *commission contract* is a contract according to which one party (attorney) undertakes to make from a name and at the expense of other party (principal) certain legal actions (the conclusion of the contract on purchase and sale of the goods, securities and etc.). The attorney operates on behalf of the principal and compensation has no binding character.

11. The *commission contract* is a contract according to which one party (commission agent) undertakes on the instructions of other party (committent) for compensation to make one or several transactions on its own behalf, but at the expense of the committent. Unlike the commission

contract - the commission agent operates on its own behalf and for compensation.

The offer to conclude the contract is called as the offer, and the person, its directed, *оферентом*. Offer acceptance is called as the acceptance, and the person who has accepted the offer, *акцептантом*.

The *offer* - addressed to one or several concrete persons the offer, definitely enough to conclude expressing intention of directed his face the contract with the addressee and containing all essential treaty provisions. It is necessary to distinguish the offer from the offer to do the offer which can be expressed in the form of advertising and other offers which are turned to an uncertain circle of persons and not containing all essential treaty provisions, and accordingly and not generating treaty obligations.

The offer can go *акцептанту* in the form of the written offer by means of the post, cable, teletype, electronic and other communication allowing authentically to establish that the document proceeds from the appropriate party under the contract. As the offer the contract draught, and also the invoice, directed *акцептанту* by means of the telefax or otherwise can serve developed by one of the parties.

The *acceptance* - the answer of the person to which the offer, about its full and unconditional acceptance or fulfilment by the given person of the actions directed on performance of treaty provisions is addressed. Under the form the affirmative reply on the letter, a fax or the signed and contract draught under seal can be considered as the acceptance. In a case if the offer is made in a sort the invoice, the acceptance will be the payment order *акцептанта*, confirming transfer of money resources for the goods on the settlement account *оферента*.

The contract can be concluded also *by tendering* (auction or competition) with the person who has won the auctions. Such order of the conclusion of contracts is most often applied in the course of privatisation of the state property or realisation of purchases of the goods at the expense of means of the republican budget. A main objective of carrying out *of auction* is property sale at the highest price, and at purchase of the goods for the state needs or at the expense of the budget at the least price of a comprehensible degree of quality. The purpose of carrying out *of competition* is object sale on most best from the point of view of functioning of object conditions. Hence, as the winner of the auctions the special commission selects the person who has offered highest (or the least) the price or the best conditions.

The auctions admit taken place if two persons take part in them at least that promotes development of a competition and allows to sell the

state property or to make purchase of the goods, works, services on the conditions most favourable to the state. The auctions are subdivided on opened (any persons) and closed (specially invited participants participate). The organizer of the auctions should not less than for 30 days to make the announcement of carrying out of auction or competition with instructions of time, a place, the form of the auctions, a subject, an initial cost and an order of their carrying out.

If necessary the organizer can refuse carrying out of open auction not later than three day, competition - 30 days before date of their carrying out. In default from carrying out of sealed bids the organizer should indemnify a loss caused to participants.

Before the beginning of the auctions their participants bring the deposit on account of execution of obligations under the encased contract. The person won the auctions and skewed from signing of the contract, forfeits the right to return of the deposit brought by it. At evasion from signing of the contract of the organizer it should return to the person who has won the auctions the deposit sum of the double size, and also to compensate the additional costs exceeding the size of the deposit. The organizer and the winner of the auctions in day of carrying out of competition or auction sign the report on results of the auctions which is valid the contract. If object of the auctions was the right to the conclusion of the contract, such contract should be signed not later than 20 days from the moment of their carrying out. In a case if one of the parties is skewed from the contract signing, the second party has the right to address in court with the statement of claim about compulsion of the skewed party to the conclusion of the contract [3].

14.3. The contract of purchase and sale (delivery) and its maintenance

According to the Civil code of Belarus under the *contract of purchase and sale* the seller undertakes to transfer property (a thing, the goods) in the property, economic conducting or an operational administration to the buyer who should accept this property and pay for it determined price. As it was already marked, the purchase and sale contract is subdivided into following principal views: actually the contract of purchase and sale of property, the contract of retail purchase and sale, the contract of delivery and the contract of sale of the enterprise.

The **contract of purchase and sale of property** in enterprise activity is used in restrained cases. As a rule, it is applied by businessmen to realisation of realisation of the property got for own needs, instead of for resale (for example, raw materials, materials, vehicles, the equipment, office

technics and etc.). Widely enough this sort of the contract is used by physical persons for single realisation of property belonging to them.

The legal nature of the contract of purchase and sale equally extends on all sorts of contracts of purchase and sale with some additions peculiar to separate sorts of obligations. So, the purchase and sale contract is *консенсуальным* - it is considered the prisoner from the moment of achievement in the form of the agreement demanded by rules of law the contract parties on all its essential conditions, *mutual* - the subjective rights and duties arise at both parties of the contract, *возмездным* - under the given contract one of the parties transfers property to the second party on an equivalent basis - for a payment. As an equivalent for the goods transferred to the buyer the buyer is obliged to tell to the seller a sum of money that excludes goods wages in kind, i.e. payment by means of transfer of other property, performance of works or rendering of services.

Subject of the contract of purchase and sale any property which is at the seller on the property right, or the property rights allowing the seller to dispose by given property in the specified way can be. The contract can be concluded on purchase and sale of the property which is available available at the seller at the moment of sale, and also property which will be created or got by the seller in the future.

Unique *essential condition* of the analyzed contract is the condition about a subject of the contract which is considered co-ordinated if in the contract the name and quantity of realised property is accurately specified. In the contract of purchase and sale the price of realised property is established by the agreement of the seller and the buyer, i.e. is free. The instructions in the contract of the price of alienated property are expedient, as warn occurrence of disputes at contract execution, but it is not obligatory (sale is not connected with direct enterprise activity). Therefore, the condition about the goods price is not the essential treaty provision. According to the decree of the President of Belarus № 117, under contracts of purchase and sale for own manufacture and consumption the businessman has the right to realise earlier got goods to the third parties at the price which is not exceeding 5 % of the price of its acquisition. The price of property of the enterprise, as a rule, is defined by its balance or residual cost. Thus size standards of the decree № 117 do not forbid to realise the got goods, including the basic means, at lower price in comparison with the price of its purchase. The price in the purchase and sale contract is underlined in the form of a certain sum of money for unit of property or for a unit of weight (net) in the Belarus roubles.

The seller is obliged to transfer to the buyer property together with accessories and necessary documents, in corresponding completeness, quantity and assortment, a degree of quality, specified in the contract and free from the rights of the third parties. In case of infringement of this obligation from the seller, the buyer has the right to refuse acquisition of the goods or to demand indemnification.

The purchase and sale term of a contract also is not its essential condition and is defined under the agreement of parties. If in the contract the date of performance of obligations is not defined, they should be executed in reasonable term or in seven-day term from the moment of a presentation the creditor of the written requirement about obligation execution under the contract.

The **contract of retail purchase and sale** provides sale by the enterprise organisation of the goods at retail to the buyer (physical or to the legal body) which uses the given goods for own needs which have been not connected with enterprise activity. Feature of the given contract is that as the seller exclusively commercial organisation or the individual businessman which have obtained the special permit (licence) to the right of realisation of retail trade in certain sorts of consumer goods acts.

Essential treaty provisions of retail purchase and sale are data on a contract subject (any goods or the things which have been not withdrawn from a civil turn) and the price of the goods, declared by the seller at the moment of the transaction conclusion. The contract can be concluded only concerning those goods which is at the disposal of the seller, except for cases of realisation of retail trade on the samples exposed in a trading floor or presented in the catalogue. According to size standards of the Civil code of Belarus the buyer can within 14 days from the moment of purchase of the goods it exchange for the similar goods of other size, the form, a dimension, a style, a colouring or a complete set if it was not in the use and there are proofs of its acquisition for the seller.

The contract of retail purchase and sale can be concluded with physical persons in the oral form, and with legal bodies - in the simple written form. Thus before the conclusion of the contract the buyer has the right to examine the goods, to demand carrying out at the presence of quality test of the goods or demonstration of its work. Under the legislation the contract of retail purchase and sale is considered the seller of the document properly executed from the moment of delivery (the cash or commodity check), the goods confirming payment.

Under the **contract of delivery** the supplier-seller carries out in certain term and under certain conditions realisation of the goods made or

bought by it to the buyer who uses the given goods in own enterprise activity. As sellers and buyers on the given sort of the contract exclusively legal bodies and individual businessmen can act, i.e. both parties are subjects of enterprise relations. In effect, the delivery contract assumes wholesale trade in the goods at which realisation licence reception is not required. The contract consists in writing.

Essential treaty provisions of delivery are data on a contract subject, the price of the goods and obligation dates of performance under the contract. As a subject of the contract of delivery any things, except for property complexes, and also buildings, constructions, other real estate, securities, currency, power resources can act. The civil code of Belarus provides two variants of the conclusion of the given contract: the contract of single delivery of the goods and the contract of periodic deliveries of job lots of the goods during term of its action. The delivery schedule in the latter case should be defined. The Supplier-seller has the right to conclude the contract not only on the goods which are available at it available, but also on the goods which it plans to make to (get) for the concluded contract of delivery. One of features of the specified contract is definition of terms of delivery of the goods which influence price formation (ex-warehouse the seller, ex-station departures, ex-station of destination, ex-warehouse the buyer).

The goods transferred under the contract of delivery, should correspond standard for contracts of purchase and sale to requirements to quality, quantity, completeness and assortment, and also requirements to packaging materials or the packing of the goods providing its safety at transportation.

Under the **contract of purchase and sale of the enterprise** the seller undertakes to transfer to the possession the buyer the enterprise as a whole as a property complex, except for the rights and duties which the seller has not the right to transfer to other persons (for example, licences). The rights to a company name, a trade mark, a service mark and other means of an individualization of the seller and its goods, works or services, and also pass the rights of use of such means to the buyer if other is not provided by the contract.

The obligatory appendix to the contract of sale of the enterprise are following documents: the inventory certificate, the balance sheet, the conclusion of the independent auditor about structure and enterprise cost, the list of all debts (obligations) included in structure of the enterprise, with instructions of creditors, character, the size and terms of their requirements. Absence any of the above-named documents is regarded as non-observance of the fixed form of the contract and attracts its invalidity.

One of prominent features of the contract of sale of the enterprise allocating it in an independent sort of the contract of sale of the real property, that enterprise sale can be accompanied by a concession of the rights of requirements of the seller to the buyer or transfer into it of debts that demands the consent of creditors is. A duty of the parties under the contract of sale of the enterprise is the notice in writing of creditors under the obligations included in structure of the enterprise, till the moment of its transfer to the buyer. On debts of the enterprise which have been transferred the buyer without the consent of creditors, the seller and the buyer after enterprise sale bear a joint liability. The property right to the enterprise passes to the buyer from the moment of its state registration [3].

14.4. The foreign trade contract. Basic terms of delivery

The *foreign trade contract* (contract) is a sort of the economic transaction, i.e. the agreement of economic agents directed on an establishment, change or the termination of the civil rights and duties at realisation trading (export, import, реэкспортных) operations of residents of Belarus with non-residents.

The foreign trade contract is a version of the contract of delivery of the goods and has similar structure. It contains the prologue, requisites of the parties (legal and actual addresses of a site of firms, bank accounts) and following basic conditions:

- ✓ delivery subject (the name and quantity of the goods);
- ✓ Ways of definition of quality and quantity of the goods;
- ✓ Basic terms of delivery;
- ✓ price of the goods and a total cost of delivery;
- ✓ Conditions and payment currency;
- ✓ order of delivery/acceptance of the goods;
- ✓ Transportation conditions;
- ✓ Conditions about warranties and sanctions;
- ✓ order of a resolution of disputes;
- ✓ Conditions of discharging of responsibility (force majeure).

Positions can be brought in the contract, general for obligations of the seller and the buyer also: an order of calculation of losses and their compensation at possible infringement of obligations of one of the parties, sanctions at payment delay, transport and currency risks, the right to stay of execution of obligations, goods insurance, an order of cancellation of the contract.

In international trade practice typical forms of the contract which are developed by big exporters and importers or their associations are widely applied.

The international chamber of commerce has published the collection of the international rules on interpretation of trading terms - «ИHKO-TEPMC - 2000» (International Commercial Terms - INCOTERMS) which purpose is the explanation of most often used basic terms of delivery in foreign trade.

Basic terms of delivery define duties of the parties of the contract of the purchase and sale, connected with delivery of the goods from the seller to the buyer, and establish the moment of transition of the property right to the goods and risk of casual destruction or damage of the goods from the seller to the buyer. Basic conditions create a basis (basis) of the price depending on, whether on goods delivery, insurance of a weight, customs cleanout and others expenses join in the price of the goods or not.

Customs cleanout - a complex of procedures on customs registration of import of the goods providing payment of duties, taxes and tax collections at import of the goods in the country.

In the international practice of foreign trade following basic groups of basic conditions are applied:

✓ Group E (*EXW* - ex-factory) - the terms defining a situation when the seller transfers the goods to the buyer directly in the premises (all transport and other expenses after customs registration of the goods bears the buyer-importer);

✓ Group F (*FCA, FAS, FOB*) - the situation when the seller undertakes to deliver a weight to a carrier selected by the buyer (a principal view of transportation by the seller is not paid);

✓ Group *With* (*CFR, CIF, CPT, CIP*) - a situation when the seller undertakes to conclude the transportation contract, but without acceptance on itself of risk of casual destruction or damage of the goods or any additional expenses after goods loading (the principal view of transportation is not paid by the seller);

✓ Group D (*DAF, DES, DEG, DDU, DDP*) - the terms defining conditions of following of a weight up to its delivery in the country of appointment (a cost of transportation and risks the seller incurs).

At the conclusion of the foreign trade contract of purchase and sale of the goods it is necessary to reach agreements on all essential conditions: a contract subject, quality of the goods, the price of the goods and a contract total sum, delivery terms, a way of payment, the form of payment [8].

14.5. A package of documents of the external economic delivery of the goods

The package of documents on the foreign trade operations includes actually foreign trade *contract* or its certified copy (the passport of the transaction for reusable contracts), the customs declaration, CMR, Tir-carnet, the consignment.

The *customs declaration* - the document defining following of an export weight under the customs supervisory control on territory of Belarus to point of customs inspection on border. In the customs declaration the name and quantity of the goods, quantity of places and packing, weight net/gross, customs cost in a slit of a customs code of group of the goods, the sender and the addressee, the data about a carrier and other data, signatures and the press of the sender and customs body, number of a customs seal is underlined. On border the customs declaration is withdrawn from a carrier by the worker of customs bodies and further the weight follows on CMR.

CMR - the international commodity-transport waybill given by the Belarus carrier or the shipper in which are specified the name and addressees of the sender (seller) and the addressee, the goods name, its quantity, cost, a sort of packing and quantity of places, customs codes, number of the container or a vehicle which is carrying out transportation of a weight, the data about transport company, a freight area and discharges of a weight (container), the signature and the press of the sender and the customs body which is carrying out customs registration of the goods.

Tir-carnet - The time permission, given out to a motor transportation carrier on realisation of single international transportation of a weight under the customs supervisory control to the specified place of discharge of the goods (container). In Tir-carnet, except data on a carrier, the sender and the addressee, the general maintenance of the customs weight being in a vehicle (container) shipped by several senders, point of customs transition on border of Belarus, a place (port) of a dump of the goods (container) is underlined.

The *consignment(billoflading)* - the document which is given out by a carrier to the cargo owner as a witness of the fact of acceptance of a weight to sea transportation and obligation acknowledgement to transfer it грузополучателю in port of destination. In the consignment the name and a site of the sender and грузополучателя, the weight maintenance (the name, quantity of production and packing cases, weight), the vessel name, port of departure and port of destination also are specified, to the press and the signature of the forwarding company (ship-owner).

The consignment carries out three basic functions:

- ✓ Vouchers of a weight a vessel;
- ✓ товаросопроводительного the document in international trade;
- ✓ Proofs of presence and the maintenance of the contract on transportation.

In the international practice the consignment is one of sorts of the securities which are carrying out functions of the payment document. It can be put in bank at loan reception, is sold to other buyer till the moment of arrival of a vessel in port of destination that gives possibility to the owner not to freeze the circulating assets in the goods. As delivery of the goods by a vessel in other states can make on duration 1–3 months

15. A SUBJECT AND THE MAINTENANCE OF THE STRATEGIC MANAGEMENTS OF THE ORGANISATION

15.1. Essence of strategic management and its role in a guidance system of the enterprise

The term «strategic management» has been entered on a joint 1960-70 to bring distinction between the running management on a level of production and the management which is carried out top-level. Necessity of carrying out of such distinction has been caused by transition to new model of management of organisation development in the changing external and internal environment.

In the modern literature on management allocate four basic conditions defining an urgency of strategic management:

1. In second half of XX-th century the number of the administrative problems caused by intrafirm and external changes, steadily increased. Many of them were essentially new and were not subject to the decision starting with before the saved up experience.

2. Plurality of problems along with expansion of geographical frameworks of activity of national economies led to the further complication of administrative problems.

3. The role of the top echelon of management while set of the administrative skills developed in first half of the last century, corresponded to real conditions of the decision of arising problems ever less increased.

4. Instability of environment of the organisations that raised probability of sudden strategic changes, their unpredictability amplified.

Owing to saturation of a commodity market and services in the developed countries there is a process of globalisation of the markets, occurrence of large transnational corporations which could not be limited in the activity operative any more, tactical mapping out and management. There was a necessity for long-term mapping out and the management aimed at prospect. It also has caused requirement for a new direction of the theory of management therefore in the mid-seventies there was a *strategic management*.

Experience of development of the domestic enterprises in a transition period has shown that many of them have appeared are not ready to severe constraints of the market environment and a competition. Thus the largest manufactures as, for example, Open Society "Фандок", Open Society «Borisovsky DOCK», Open Society "Минскпроектмебель", ЧУП

«the Brest furniture factory and others, experienced the greatest complexities with maintenance of financial liquidity, profitability during the long period. Under the influence of a rigid competition some enterprises had to reorientate the divisions. So, Open Society« Borisovsky DOCK »was necessary to refuse furniture manufacture owing to its unprofitableness and to direct the resources to manufacture of slabs ДВП, ДСП which basic part has started to be realised for export. Change of strategic reference points has allowed to stabilise profitableness of the enterprise. Many manufacturers, despite complexity of position: Fixed capital deterioration, low profitability, lack of turnaround and investment means, - try to keep the place in branch in every way. The state economic policy insufficiently promotes it. In regulation of relations, especially in regions, the administrative principle is often used, restrictions of a rise in prices on production of the enterprises, high tax loading, considerable relative density of the state in the property of the enterprises that narrows possibilities of their strategic choice remain.

Nevertheless, in many respects position of the enterprises is connected with their own lacks in the field of operational and strategic management. Researches show that the majority of the domestic enterprises was not used until now by advantages of strategic mapping out, did not develop long-term strategy of development. In such conditions is problematic to provide steady indicators of growth in the long-term period. As a result, deterioration of fixed capital at many enterprises of branch has reached 70 %-s' levels. From here noncompetitiveness of production, complexity with sale, a lack of circulating assets, losses. So, for example, in 2003 the quantity of the unprofitable enterprises in the industry as a whole on the country has reached record level - 38 %.

Dynamics of development of the domestic market confirms that in modern conditions all-important there is an ability of use of the flexible management focused on long-term prospect and providing adaptation of the enterprise to quickly changing environment. Timely reaction to arising changes is reached by means of the organisation of *strategic management* at the enterprise, a prediction of adverse events providing possibility and an estimation of their influence on prospects of development of business in branches of a himiko-wood complex in the internal and external markets.

Strategic management — is process of working out, acceptance and realisation of the strategic decisions which central link is the strategic choice based on comparison of own resource potential of the enterprise with possibilities and threats of an external environment [42, c.6].

A.A.Tompson, A.Дж. Стрикленд define strategic management as process of formation by management of strategic vision, statement of the purposes, missions, developments and realisations of strategy, timely updating of vision, the purposes, strategy and realisations [44, с.36].

According to I.I.Masur, V.D.Shapiro, **strategic management** includes working out and perfection of mission, its long-term objectives, plans and forecasts, methods of managing, organizational structure, business processes and realisation of corresponding strategy of enterprise activity in the conditions of the market environment [29, с.187].

Thus, strategic management can be considered as a certain organizational control gear strategy which on the basis of the system approach provides conformity achievement between in internal resource potential of the enterprise and external possibilities of development. Therefore, many authors quite fairly reduce concept of strategic management to definition of essence of "strategy".

According to O.Vihansky, *strategy is a* long-term qualitatively certain direction of development of the organisation, concerning spheres, means and forms of its activity, system of mutual relations in the organisation, and also organisation positions in the environment, leading the organisation to its purposes [13].

M.Meskon defines *strategy* as the general all-round plan of achievement of long-term objectives of the organisation, developed taking into account a real situation in branch and at the enterprise [34].

On A.Tompsona, A.Striklenda's researches, company strategy is a combination of methods of a competition and the business organisation, directed on satisfaction of clients and achievement of the organizational purposes [44, с.32].

Originally the word "strategy" is taken from a military lexicon and was understood as art of expansion of armies in fight. For the first time the strategic concept has been stated by the Chinese commander Put-tszy in 500 BC in the treatise «Art of conducting war». According to the author, formation of effective strategy is based on observance of following principles: win without battle, avoid strong places of the opponent, attack on weak, mislead the contender, operate promptly and providently, operate the opponent, supervise authoritatively [31]. Apparently, these principles are actual enough and at formation of modern business strategy at approach to competitors.

Long time in a science was understood as strategy a management skill by organisation resources, or the states. The concept of "resource management» has appeared in 30th years XX centuries as a result of an

economic crisis in the USA. During this period many firms and the state start to reflect on necessity of application of the long-term mapping out providing possibility of balanced development of economy and rational use of resources, especially natural. All it became obvious that market mechanisms appear insufficiently effective for maintenance of stable economic growth of the enterprises, economy as a whole. It also has served as a certain push to development of approaches of strategic management.

Thus, *in modern understanding the essence of strategic management* is reduced to working out and realisation of long-term strategy of development of the enterprise which covers all subsystems of management (manufacture, management, the finance, marketing and sale, research and development, etc.) Also it is directed on complex and rational use of resources of the organisation, providing reception of the maximum effect proceeding from available potential of the enterprise and market possibilities. In the organizational plan strategy represents a formulation a management of long-term intentions (mission), the enterprise purposes, and also a choice of the most perspective directions of the development providing strengthening of competitive positions and distribution of strategic resources of the organisation according to its purposes and requirements of the market. Strategic management is a complex system of actions of the higher administrative link on working out of the strategic plan providing opposition of a branch and global competition.

Strategy is a certain system of concepts. G.Mintzberg allocates five basic definitions «5P» strategy (fig. 1.1).

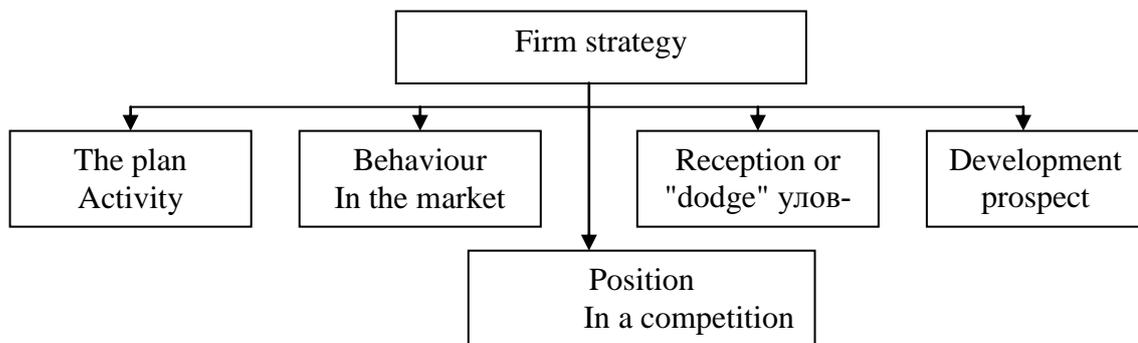


Fig. 15.1. The block the scheme of concepts of strategy

Strategy is, first of all, the *plan* of activity of the organisation in long-term prospect. The *strategic plan* provides movement of the enterprise from the present in the future by means of purposeful and balanced use of resources (planned strategy). In a wood complex, for example, use of strategic mapping out allows *взаимоувязать* a principle steady, *неистоци-*

тельного a forestry management with real requirements of the market, to organise target лесовыращивание taking into account needs лесоперерабатывающих branches on razmerno-qualitative and pedigree structure of woody raw materials.

Strategy is a *principle of behaviour* or following of a certain model of behaviour of the enterprise which is formed proceeding from reaction to occurring changes in an external environment (realised strategy). In a case if market changes occur within the limits of predicted parametres realised strategy coincides with planned, planned earlier. However in the market can occur and serious, not predicted before event which force a management of the companies to change the reference points of development cardinally. For example, with introduction in Belarus of institute state лесоэкспортеров in 1996 more than 800 private concerns occupied earlier in sphere of export of workable timbers, have been compelled to carry out the further deliveries or through the created state enterprises (ГП "Belleseksport", ГП "Belresursy", ГП "Leseksport", etc.) Or to leave in others секторы economy. Thus, under pressure environment (suppliers, consumers, competitors, the states, etc.) managers adapt strategy of firm planned earlier to new economic or to political factors, market requirements.

Strategy is a certain *position* of the enterprise in branch from the point of view of competitiveness of production, sales volume, a share of the market, an arrangement of the goods in the regional, national and external markets. According to M.Porter, *strategy* represents creation by means of various actions of management of a unique and valuable position.

Strategy as a position reflects a certain sight of management downwards, on meeting place of the goods with the buyer and an estimation of level of its defensible expectations, and also outside - on a foreign market. The enterprises having the greatest indicators of sales volume, a share of the market, rates of increase of export of production, are included into group of leaders of the market in branch structure. Taking into account in advance selected parametres of an estimation all enterprises of branch it is possible to range and make the certain rating showing their place in branch. It becomes an important evaluation stage of prospects of business as allows to judge about the sizes and scales of the activity, competitive advantages of this or that enterprise. In relation to leaders the similar estimation can be made on the basis of a simple method of comparison. For example, at an exhibition «Eurofurniture - 2005» Open Society "Пинскдрев" has exposed the widest ruler made ассортиментных groups of the goods which several times on the scales has exceeded an exposition of the majority of other enterprises of branch. Besides, free delivery of all interested clients, consum-

ers in the firm shop of the enterprise located in Minsk has been organised. It tells all about indisputable leadership of the enterprise in the furniture industry of Belarus.

Strategy is a *prospect* of business, or the basic way of action of the organisation. As prospect strategy is turned on internal resources of the enterprise, more precisely, on potential of management and the personnel from the point of view of development in the future. Business prospects are in many respects formed thanks to the organisation of effective investment and innovative activity, application of modern technologies in manufacture and operation of business. The organisation of complex system of strategic operation of business can provide additional possibilities and development prospects in comparison with set of those organisations to which did not manage to adjust effective strategic process.

Strategy can be considered and as dexterous *reception*, special "maneuver", the dodge undertaken on purpose to outwit the contender or the competitor. For example, the organisation can declare acquisition of some the parcels to make impression upon the competitor about the grandiose plans and to force it to refuse building of a new mill. In the international practice there are transactions when one firm buys at the expense of means of the foreign investor or bank of the nearest competitor, sometimes and stronger. Buying up of actions is carried out, as a rule, through bank or the third specially created firm so that the competitor has not suspected who is the real initiator of the transaction and has not had time to undertake retaliatory measures.

As a whole, strategy creation is difficult creative process in which all potential of management and the personnel should be involved. Thus the head as the head of the organisation, is obliged to use all means accessible to him for consolidation of existing prospect, development of contacts to the purpose of reception of the information, negotiating and the conclusion of agreements for strengthening of the won positions in the market, etc. However the spent means not always can be are justified here again the head should to support certain balance between advantages and strategy lacks.

Now discussion about strategy proceeds, as on each strategic advantage there will be a weakness or a lack:

1) «*Strategy sets a direction*».

Advantage: strategy specifies the organisations a reliable course of development in existing conditions. Having defined in the main thing - a development direction - management passes from discussions to construc-

tive decisions concerning component parts of strategy, the gear of its realisation.

Lack: strict following to a strategic course can cover potential possibilities and dangers. Strategy should be flexible that the management and the personnel had possibility in the fullness of time to change behaviour taking into account surrounding circumstances.

2) «*Strategy co-ordinates efforts*».

Advantage: strategy presence promotes co-ordination of activity of management, purposeful interaction and personnel cooperation. In absence of strategy in the organisation the chaos sets in, each division is in a greater degree directed on realisation private, instead of enterprise overall aims.

Lack: excessive co-ordination of actions leads to accession of "panel thinking» and loss of peripheral sight thanks to which we quite often notice new possibilities. The accepted strategy becomes more important than the organisation, the principle "the end justifies the means" operates.

4) «*Strategy characterises the organisation*».

Advantages: demonstration of distinctive features, strengths of the organisation in comparison with competitors, informing of clients, employees, shareholders on the basic strategic intentions;

Lack: the simplified understanding of the organisation, use of stereotypes therefore there can be not noticed activity scales.

5) «*Strategy provides logic*».

Advantages: strategy promotes an order and discipline, provides logic in personnel actions.

Lack: the logician and an order reduce the creative beginning of strategy. R.Emerson noticed that «the silly logic is the phantom pursuing near people ...» [35]. The logic operates, as a rule, only in the field of the existing, studied processes. The creator creates an innovation by means of a finding of a new combination of elements or processes, before considered as the incompatible.

Considering the specified lacks, some organisations consider that absence of strategy not always is the negative factor. Many enterprises and the firms occupied in sphere of working out of new technologies, in a greater degree are focused on the decentralised management for the purpose of use of creative potential from employees of the company, stimulation of innovative activity of the enterprise. However in many respects lacks are connected not with presence of the strategy, and with the gear of its realisation, based on the rigid monitoring system unduly centralised (бюрократизированной) by structure of management, command methods, authoritative style of a management, etc.

In the conditions of modern dynamics of the market of advantage of the strategic approach to management of the organisation are obvious. As shows experiment of the domestic and foreign companies, at strengthening of competitive relations in the changing market environment to adjust efficient control business and to provide an enterprise sustainable development on a profitable basis it is impossible without application of tools of strategic management and strategic thinking. The manager should be able to estimate strategic position of firm, to understand influence of changing conditions, to trace the external and internal environment of the organisation, correctly and in due time to prove necessity of change of strategy. About it head of one of the succeeding companies has noticed that competitors are always familiar with the same ideas, methods and approaches and have the same possibilities for their use. The possible success is defined only by carefulness of calculations and self-discipline with which we develop and we realise the strategy.

The strategic thinking and management, unlike free improvisation, intuition, a hope on luck, have a number of strategic advantages:

- Concentrate activity of all organisation on achievement of the basic global purpose;
- Force managers and ordinary employees to search for new possibilities and threats;
- Promote continuous development of the enterprise;
- Give clear criteria for an estimation of projects of budgets.

Thus, optimum it is possible to name such resource management which supports strategy of the enterprise and guarantees achievement of the put long-term objectives. In this connection, innovative strategy often enough appear a key to steady improvement of activity of the organisation. From business history it is known that the most effective companies operate as trailblazers and the leaders who are not limited with retaliatory measures and passive reaction to market changes. Similar firms begin strategic approach to more conservative and less mobile competitors and provide to itself not only steady competitive advantage, but also the best financial results. Vigorous realisation of creative, not ordinary strategy provides to firm position of the leader, does its goods and services by the branch standard. Therefore, *well operated enterprises differ from other two main signs: They it is better than others develop strategy and are able to adjust effective process of their realisation.* In certain degree, ability of the effective organisation and management of strategy is important criterion of an estimation of level of professionalism and quality of management.

It is necessary to notice that in branches of a himiko-wood complex certain approaches of strategic management are used only fragmentary, there is no complex and well debugged system of working out and realisation of strategy. Thereupon, those enterprises to which the first will manage to adjust effective strategic process, not only will improve the long-term results and a position in the market, but also will get certain steady competitive advantage before other enterprises of branch.

15.2. The maintenance and principles of strategic management

Object of research of strategic management as scientific discipline is studying of positive and negative experience of activity of the various enterprises for formation and realisation of organizational strategy, their grading, generalisation and grouping of factors, approaches and methods on perfection of strategic process and the gear of realisation of strategy, their adaptation to market conditions of managing.

Strategic management is a certain sort of administrative activity which has the toolkit and methods, and is, as a rule, a prerogative of the top echelon of the management providing carrying out of analytical researches of dynamics of the market and revealing of long-term tendencies of development of branch, competitive relations, their influence on organizational processes and possibility of a sustainable development of the enterprise on a profitable basis, estimations of potential, strong and weaknesses of the enterprise, possibilities and threats from the external environment, in aggregate defining a choice of the future strategy of development of the enterprise.

Thus, by working out of strategy managers should consider and supervise change of set of factors of the external and internal environment of the enterprise, in due time to adapt organizational systems (management, manufacture, marketing, sale, the finance, research and development, etc.) under market requirements that, undoubtedly, appears difficult enough process. Therefore, strategic management is the and certain *management skill* demanding from managers such skills as ability of a prediction, forecasting of the future alignment of forces in the market, definitions of a place of the enterprise taking into account its real resource possibilities. The organisations possessing similar art, have accordingly additional competitive advantages as the first find unoccupied alcoves in the market, leave with new or advanced production, apply new technologies in manufacture, management, marketing, actually being leaders in the branch.

Components of strategic management. Strategic operation of business includes five basic components, perspective-target decisions forming the following chain (fig. 1.2).

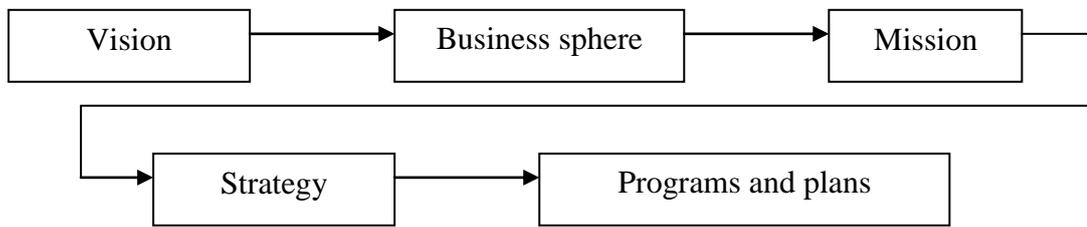


Fig. 15.2. Perspective-target decisions in system of the strategic Operations of business

1. *Strategic vision* is a formulation of long-term prospect of development of the enterprise, definition of a field of activity, technology, target audience, the geographical and commodity markets, possibilities and an image of the organisation what it should become in the future.

2. The *business sphere* - the sort of activity connected with a concrete economic unit, the enterprise or division, the program etc. business Definition assumes an estimation of its prospects and a concrete place in branch, development possibilities.

3. *Mission* is a characteristic of today's possibilities of the organisation, its target audience, sorts of activity and structure of business (field of activity).

4. *Strategy* - the integrated model of the actions intended for realisation of strategic vision, mission, the enterprise purposes. As the strategy maintenance the set serves corrected the decision-making, used for a substantiation of perspective lines of activity and development.

5. *Programs and plans* are a system of measures on realisation of the strategy accepted by the enterprise, called to solve a problem of distribution of resources, powers and responsibility among the divisions (employees) participating in realisation of strategy; workings out of operating plans and programs.

Strategic mapping is the formalized process of an economic justification of mission, directions of development, long-term both enterprise short-term objectives, and strategy of their achievement. Strategic plans are more often used in branches with moderate rates of development of technologies, production, environment factors where there is a possibility to make exact enough forecast. However in formal written strategic plans it is difficult to provide all significant strategic events on the future. Unexpected pos-

sibilities or the threats, new ideas and offers force managers to modify plans and to resort to "not mapped out" actions. During epoch Internet the economic environment changes so quickly that many companies reconsider the strategy quarterly, monthly, at times completely refusing annual strategic plans.

Steady functioning of the enterprise in the market grows out of work of all personnel at all levels of organizational structure of management which provides carrying out of the careful analysis of an existing situation in branch and at the enterprise, a choice of the most effective strategy of development from among possible alternative variants.

By strategy working out various levels of management have various system of participation in strategic process which defines level of requirements to organizational skills and abilities of the administrative personnel. Approximate distribution of powers on the organisation of strategic management looks as follows (fig. 1.3):

1. *Operative level* is presented by experts and managers of the bottom level of the management, responsible for preparation and a primary treatment of analytical materials, carrying out of calculations and the analysis of efficiency of realisation of operating strategy, preparation of total analytical reports, drawing up of operating plans for the short-term period. The main task of the given level - an estimation of feasibility of the alternative strategy formulated by the top management, definition of sufficiency of resources for their realisation. *Actually this level defines resource restriction in relation to realisation of those or other strategy.*

2. *Tactical level* (managers of the average level: heads of departments, functional experts) bears responsibility for working out of tactical, intermediate term plans (2 - 3 years) strategy realisations, finishing of specific goals and problems to operative level. Besides, managers of an average link trace results of achievement of strategic targets, reveal the basic problems and the reasons in relation to possibilities of realisation of strategy, develop corresponding correcting actions or possible variants of strategy for granting on consideration to the top management which is carrying out a definitive choice of perspective directions of development.

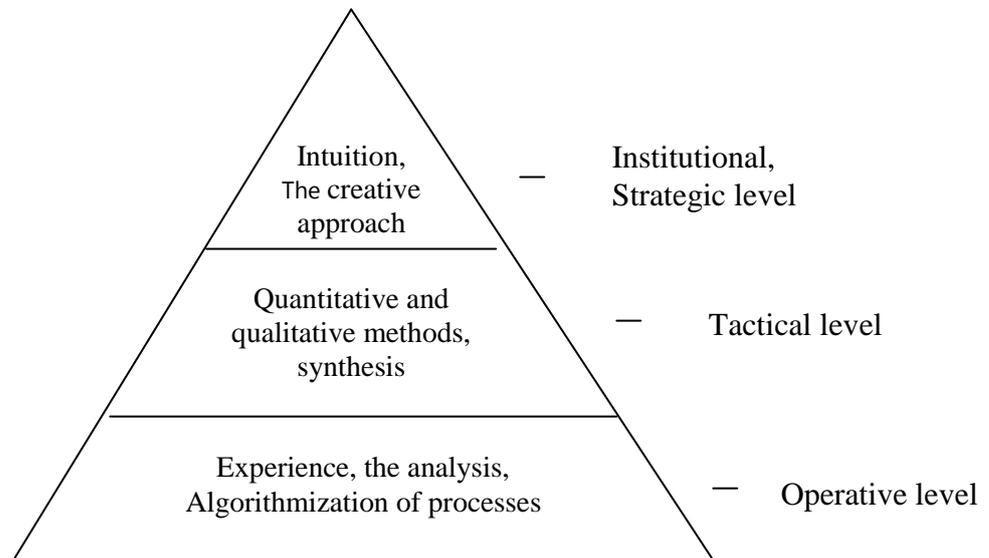


Fig. 15.3. The scheme of levels of management and requirements to skills of the manager

The information arriving as from the internal environment of the enterprise (industrial management, organizational structure, management of marketing, sale, the personnel, the finance etc.), and an external environment is thus analyzed. The strategic analysis of environment which are defining in system of analytical researches, is subdivided into following sorts:

- The *microhabitat analysis*, i.e. the basic competing and co-operating enterprises of branch;
- The *analysis of macroenvironment* - the economic, technological, public, demographic, legal, political and international factors influencing prospects of development of business and a choice of the future strategy.

3. *Strategic level* is presented by the management top echelon (board of directors, board, the president, vice-presidents, the general director, deputy directors) and bears responsibility for the effective organisation of strategic process, formulates strategic vision and mission, gives financial and personnel maintenance, carries out definitive a choice of optimum strategy of development on the basis of an estimation of real possibilities and resources of the enterprise, the revealed tendencies of development of branch, an external environment. Managers of the top echelon define such important making managements of strategy as organizational structure,

styles of a management, level of decentralisation of powers on strategy working out, organizational culture and system of values which influence efficiency of strategic management.

In the course of working out of perspective strategy of development managers should adhere to certain principles which raise level of efficiency of their activity. In modern management allocate following main principles *of strategic management*:

1) The *openness and globalisation* of behaviour of the enterprise in the market focuses a management on use of "transparent" methods of work, expansion of direct informal contacts to consumers, clients, employees («the enterprise without doors»);

2) The *complex approach* means that strategy should capture all key spheres of activity of the enterprise and *взаимоувязать* industrial, financial, marketing and other purposes of the organisation, involve in strategic process all structural divisions responsible for realisation of strategy;

3) *Orientation to the future* means that strategy should provide progressive development instead of a simple survival. Often enterprises having financial problems, first of all start to cut down expenses on researches and workings out, marketing and production advancement, freeze programs of introduction of new models, etc. that undermines their possibilities of reception of profit in the future even more;

4) The *creative approach* consists in use and development of the human capital, stimulation of leadership, innovative activity, creation of conditions for self-realisation and career growth of employees;

5) *Orientation to result* means maintenance of accurate interrelation of system of stimulation of employees with process of achievement of strategic targets of the enterprise (for example, percent from growth of profit, the sales volume, the saved expenses, etc.);

6) *Joint activity* means participation of all personnel in the course of strategy working out, cooperation stimulation, a finding of a consensus and negotiating between employees of different divisions on all arising problem questions at each stage of strategic process. In the organizational plan the given principle can be realised by means of creation of target (design) groups, the matrix organisations, discussion and an estimation of strategy at general meetings, meetings, etc. It is considered that high level of alternativeness of opinions gives to a management of possibility for realisation of the better analysis and a strategy choice.

However the principle of joint activity is realised far not by many enterprises. The enterprises which adhere to mainly centralised management and command management methods, confer to the employees only insig-

nificant powers in the field of development of strategy. As a rule, in such organisations available potential possibilities of the personnel will be underused that reduces also potential of the company. Leaders of branch in most cases base the strategic behaviour on application of all вышеперечисленных principles.

Depending on degree of participation of workers in the course of working out of strategy of G.Mintzberg allocates four basic approaches:

The *approach of the chief architect*. At some enterprises one person - head or the owner of the organisation - incurs a role of the main strategist, individually forming key elements of strategy. It does not mean that it independently initiates all ideas, collects and analyzes the necessary information; to process of working out of strategy usually precede brainstorming with attraction of subordinates and the professional analysis of the information. It means that this person acts in a role of the main thing and the unique architect of strategy, personally supervises over its working out and puts the purposes. This approach is characteristic for the firms which heads are simultaneously their founders: Michael Dell in *DellComputer*, Steve Kejs in *AmericaOnline*, Bill Gates in *Microsoft*. Strategy of small private enterprises also often enough are a product of experience and opinions of the owner (owners) at rather small participation of the most skilled workers and external advisers.

Delegation. At such approach responsible for working out of strategy the manager delegates a part of the powers to the entrusted subordinates, the subordinate managers, competent working groups of employees of different divisions, or, less often, group of the advisers specialising on the help in working out of strategy. Delegation of such actions as brainstorming, the analysis, working out of some large and the majority of small components of strategy, allows to involve managers and employees with experience in the local markets and in the conditions of a rigid competition. Such approach is convenient (if is not necessary) for the diversified companies with wide assortment of the goods. The more widely the assortment of let out production, a diversification and geographical scatter of divisions, the is more convenient to transfer a part of powers on working out of strategy to workers on places. They first-hand receive the information on consumer preferences, adequately estimate marketing possibilities and will manage to adapt strategy for changing conditions quickly. *The faster the market, the deeper delegation changes.*

The main lack of this approach consists that the success depends on professionalism and the competence of managers of the lowest link for which the narrowness of an outlook from the point of view of strategic vi-

sion can be characteristic. Therefore, the higher management should not withdraw from strategy working out, especially during the critical moments, for example, when in group of strategic mapping out there are disagreements or the unpromising direction of development is developed.

Joint, or collective, the approach. It is the intermediate approach, consisting that responsible for creation of strategy the manager leans against the help and councils of the colleagues and subordinates, developing a compromise variant of strategy. In groups of working out of strategy usually include linear and functional heads from the different divisions some beginning managers with the creative approach, and (as observers) veterans of the prepension age, capable to give a wise advice. So, for example, company *ElectronicDataSystems* reconsidered the strategy within a year and has involved in this process 2500 of 55 thousand workers of firm under the supervision of 150 managers from the different countries of the world. The Finnish corporation *NokiaGroup*, the world leader of wireless communications, has involved in development of strategy of 250 workers. Moreover, in world practice all start to involve in development of strategy of clients and suppliers that allows to estimate better the future situation in the market more widely.

Over collective development of strategy usually responsible manager supervises, but the result represents a fruit of efforts of all participants of process. Such approach is convenient in situations when strategy components concern various departments and sorts of activity and it is necessary to involve experts with different experience, knowledge and representations about the future. It is necessary to carry to advantages of the collective approach and that participants become ardent adherents of the strategy created by them and willingly participate in its realisation. Besides, if the worker participated in strategy working out, he feels the responsibility, - the excuse "it was not my idea" does not work.

Attraction of internal reserves. At this approach the top management suggests separate serving and whole working groups to bring offers on start of new commodity lines and development of new lines of activity. The idea consists in helping to reveal to talented workers of the company. The management selects offers which are represented perspective, and gives to design engineers organizational and budgetary resources for realisation of their ideas. Thus, there are new components of strategy, and their design engineers receive the leading parts at start of new sorts of production, head new divisions. A good example of the

given approach is experience of start of the new project on trade in cellulose at the London stock exchange Pulpex company Sedra, the largest manufacturer of cellulose in Sweden. Young employee U.Nilson after only year has headed this project from the moment of receipt for work in 1996 in financial department of this company after the university termination. U.Nilson of the first has offered and has proved to a management advantage of use of future contracts on trade at a stock exchange for decrease in the losses connected with instability of prices in the world market of cellulose. Up until that time the company management did not use the given possibility.

The set example shows that attraction of internal reserves effectively at presence in the organisation of good personnel potential. Company strategy in that case represents set of the strategic initiatives passing competitive selection from the top management. The main lack of the approach consists in it - complexity of the coordination of strategic initiatives also from divisions, possible contradictions at distribution of resources. With a view of increase of efficiency of administrative decisions at the given approach heads of the top echelon should select those offers of the subordinates, which strengthen general strategy of the organisation not to admit contradictions between functional and corporate strategy [44].

Despite lacks, the approach of attraction of internal reserves possesses such important advantage as activization of the main resource of the organisation - the personnel. This approach has well proved in branches with быстросазвивающими technologies where constantly there are new possibilities. At the further development of market relations in Belarus followed more actively to use this approach and at our domestic enterprises on which often enough skilled experts remain not claimed to the full.

Thus, strategic management as the scientific discipline covers studying of following basic questions:

- 1) Concept and the organisation of strategic process at the enterprise taking into account modern workings out in management;
- 2) Carrying out of the internal and external analysis of the firm, providing the analytical information for a strategy substantiation;
- 3) Grading of strategy, their maintenance, main objectives and application conditions;
- 4) Gears of realisation of strategy and their components: adaptation of organizational structures of management to strategy, perfection of sys-

tem of stimulation and development of the personnel, the organizational culture supporting strategy of the enterprise.

As a whole, strategic management as discipline is an integrated science which uses by working out of strategy knowledge industrial, financial, personnel, investment, innovative and other sorts of management, economic disciplines, the social sciences providing necessary toolkit for a choice and an estimation of strategy corresponding expectations of various interested groups (shareholders, employees, consumers, the state, etc.).

15.3. Historical stages of development of strategic management

The reasons of occurrence of strategic management as activity sort are occurring changes in a competition, economy, management which the XX-th centuries in second half start to get global character. During this period competitive relations on regional, national and world the markets accrue, intrabranh working conditions become tougher, delay of rates of increase in many developed countries is noticed that considerably complicated possibilities of maintenance of development of the enterprises. Pressure from environment demanded development and use of new approaches in the management, providing possibilities of forecasting of events, preliminary adaptation of business to a new economic situation. These problems also have served as the beginning of scientific researches in the field of strategic management.

As a whole, formation of approaches of strategic management, it is possible to tell, goes in parallel with development of environment of the organisations, complexity and which dynamics has defined necessity of working out of long-term strategic plans. In the given process allocate following four *basic stages* (fig. 1.3):

- 1) Short-term mapping out (budgeting);
- 2) Long-term mapping out;
- 3) Strategic mapping out;
- 4) Strategic management.

Budgeting. Occurrence of such guidance system as budgeting (budgetary mapping out) concerns approximately the beginning of 1900th the Basic attention in it is given to the supervisory control over deflexions and to management of complexity. Initially for different departments of the enterprise the annual budget is defined, and the organisation management carefully analyzes all deflexions from it, establishes their reasons and in case of need the decision on correcting impacts makes. The basic assumption of the given system consists that the future is past continuation (an extrapolation method).

Short-term mapping out put the main strategic problem *creation of large organizational structures for the purpose of strengthening of potential of the enterprise, increase in its competitive possibilities in the market.*

Short-term mapping out (budgeting) included following actions:

Financial planning;

Calculation and the analysis of expenses on fields of activity;

Short-term mapping out is industrial - hozjajstven th activity

(as a rule, for one year);

Drawing up of short-term budgets on sorts of manufactures.

Budgeting
Long-term mapping out
Strategic mapping out
 The **strategic**
Management

| | Бюджетирование | Long-term mapping out | Strategic mapping out | The strategic Management |
|-----------------------------|--|--|--|--|
| The cores Spheres Attention | The supervisory control over Deflexions and management of complexity | Forecasting of growth and struggle against complexity | Change of a strategic direction and abilities | Overcoming of the problems connected with «strategic surprises» and unexpected threats / possibilities |
| The cores Positions | The future repeats the past | The future is continuation of last tendencies of development | New tendencies and sequence infringements can be predicted | Cyclic mapping out to inadequately fast changes |
| Character | The periodic | | | In real time |
| The period Uses | Since 1900th | Since 1950th | Since 1970th | Since 1990th |

Fig. 15.3. Evolution of systems of strategic management

Long-term mapping out. The basic attention in it is given to forecasts of growth and management of complexity. Besides, it is supposed that in the coming future the tendencies which have arisen in the past proceed. The leading theorist in the field of I.Ansoff's strategy carries occurrence of long-term map-

ping out to 1950-1960th mapping out Process, as a rule, includes forecasting on the basis of the historical data and last experience of sales volume, sizes of costs, technological changes and etc. a mapping out Problem, thus, consists in preparation of human resources and capacities for expected growth or activity reduction. The horizon of mapping out unlike budgeting system can make depending on a concrete situation two years five or ten years.

Here it is possible to allocate the analysis of ruptures, or divergences. The rupture takes place in a situation when predicted the sales volume and indicators have arrived do not coincide with the organisation purposes. For its elimination in the organisation necessary changes (for example, number of a sales department and-or capacities of the enterprises increases) are carried out.

Long-term mapping out by the main strategic target put *strengthening of the reached positions on available commodity markets and a gain of the new markets*. Basic elements of long-term mapping out are:

- formulation of the purposes of the enterprise on long-term prospect (mapping out of profit, profitability, costs, volumes of output and etc.);
- Drawing up of long-term plans for development of the enterprise;
- Definition of budgets on each division;
- Control of process of achievement of the purposes.

Strategic mapping out represents the formalized process of realisation of long-term objectives and strategy of development of the enterprise (drawing up of the strategic plan). Occurrence and development of this approach occurs in 1960-1980th that has been connected with change of strategic directions of development and competitive possibilities. The substantive provision of strategic mapping out consists in the following: *past extrapolation inadequately reflects the future possibilities of the enterprise, deflexions from last forecasts and new tendencies of development demand updatings of realised strategy*. For example, if it is a question of a direction, strategy can be focused on an exit on the new commodity market, in case of competitive possibilities - development компетенций in sphere of research and developmental workings out (research and development).

Strategic mapping out includes following elements:

- formulation of strategic targets of the enterprise;
- estimation of efficiency of operating strategy or behaviour model in the market, necessity of its change;
- analysis of an external environment of the organisation from the point of view of possibilities of achievement of strategic targets;

□ analysis of sufficiency of resources of the organisation and its definition strong and weaknesses (the analysis of the internal environment of the enterprise);

□ Definition of necessity and scale of change of operating strategy;

□ Acceptance and realisation of strategic decisions;

□ System of the strategic supervisory control.

Strategic mapping out is concentrated on careful studying of the market environment in which carries out the enterprise activity the enterprise. Thus the main attention is given not only to forecasting, but also the profound analysis of the market, in particular to activity of competitors and requirements of buyers. As a result of analytical researches the management hopes to study an existing situation, and also to foresee the future changes which can have strategic consequences on competitive possibilities of the enterprise.

The strategic plan, as a rule, is developed for the period from 1 till 5 years depending on characteristics and rates of development of branch, dynamics of an external environment. On the basis of the strategic plan of the organisation develop short-term *operational plans and budgets* - budgeting - for the running accounting period (quarter, year). Thus, in a planning cycle time for the decision of strategic problems is provided, and budgeting acts as one of important elements of the gear of realisation of the strategic plan. For lack of such though also the artificial tool, even managers who accurately realise all importance of strategic thinking, can be overloaded by the running questions and not to notice necessity for change of strategy of behaviour in the market.

The lack of strategic mapping out consists that the requirement for the analysis and acceptance of strategic decisions arises each time when external conditions so change that it can affect enterprise activity. Environment and technologies can change so quickly, and shocks can appear so sudden that the rigid tie in to a certain planning cycle will bring to nothing all efforts of the personnel. When strategic reaction is subordinated to mapping out process, under the threat there can be an efficiency of activity of the enterprise as a whole, especially in dynamically developing branches.

World experience shows that at increase of turbulence of environment (reduction of life cycle of the goods and acceleration of changes in a lineup), the companies, which adhered to formal mapping out (i.e. forecasting of the activity with use of standard receptions), have appeared more poorly the firms which have refused necessity of planned activity. In less changeable environment the situation has changed on opposite, i.e. more good results have achieved the enterprise using system of strategic mapping out [1].

Strategic management. Develops in 1990th and assumes use of flexible approaches to process of development and realisation of strategy which should have anticipatory character and to provide fast adaptation of the enterprise to changes of an external environment. The modern system of strategic management includes components of strategic process:

- formulation of mission of the enterprise;
- analysis micro- and macroenvironments;
- Revealing strong and weaknesses of the enterprise (the analysis of sufficiency of resources);
- formulation of alternative variants of strategy;
- estimation of risks of realisation of alternative strategy;
- A choice of priority strategy of development;
- Working out of financial strategy;
- Working out of industrial strategy;
- Working out of strategy in the field of human resource management;
- formulation of marketing strategy;
- A choice of systems of stimulation of the personnel;
- Perfection of organizational structure of management;
- Development of organizational culture of the enterprise;
- Formation of positive image of the organisation;
- Constant search of new possibilities of development.

At the heart of strategic market management (or simply strategic management) the assumption that in the conditions of high dynamics of environment cyclic mapping out is inapplicable lies. To consult with «strategic surprises» in the form of unexpected threats and possibilities, strategic decisions should be accepted quickly irrespective of a planning cycle.

Pressure from an external environment stimulates working out and active use of new methods more adequate to a market situation, systems and concepts (for example, introduction of information system in real time instead of the periodic analysis). In modern conditions such approaches positively affect results of activity of the organisation, as more susceptible analysis of environment, revealing and constant monitoring of information-nonsaturated areas, increase in strategic flexibility, development of spirit of business.

As *information-nonsaturated area* it is understood capable to affect strategy an uncertainty working area (for example, occurrence in consumers of new interests, a possible rise in prices for raw materials). Strategic flexibility assumes the strategic decisions providing fast and proper response to sudden, unforeseen changes in the market.

Strategic market management has warning character directed in the future. Strategists should not submit to environment, should not perceive it as a reality. They are obliged to anticipate possible changes, to influence on occurring inside and outside the change companies. So, by means of creative, active strategy it is possible to influence a state policy, requirements of buyers and technological progress.

G.Hemel and K.Prahalad assert that managers of the company should have uniform accurate idea about what will be their branch in 10 years, and also about strategic reference points of activity of the company in the future. In particular, they allocate the following demands made to modern firms:

Managers should adhere to the long-term approaches different from competitors;

top management should be guided more likely on регенерирование rod strategy, than by reengineering of the basic processes;

Competitors consider the organisation more likely as establishing "game rules", instead of obediently their carrying out;

Strength of the enterprise in a greater degree are innovations and growth, instead of operational efficiency;

organisation is in "avant-guard" of branch, instead of in crowd catching up.

The made recommendations mainly are addressed those enterprises which aspire to become or enter into group of leaders of branch. Their strengthening лидерских positions allows to create reliable protection against influence of others, less mobile in respect of changes, competitors. Process of mapping out of strategic targets allows the modern organisation not only to reveal and use additional reserves of growth of productivity, but also it is essential to transform used technologies of management, to stimulate innovative activity in the decision of problems of a sustainable development of the enterprise. As practice of the domestic and foreign enterprises shows, personnel possibilities in maintenance of strategic development of firm are used only partially that considerably reduces also their level of competitiveness in comparison with potentially possible level. Therefore, as a rule, leaders of branch are those enterprises which management managed to adjust effective communicative processes and to involve all resource potential of employees.

As a whole, considered on fig. 1.3. Stages and systems of strategic management not взаимоисключают, and on the contrary, develop and

supplement each other. In this case *strategic management* includes all four guidance systems:

budgeting used for maintenance of short-term mapping out and the financial supervisory control of process of realisation of planished strategy;

Forecasting of tendencies of development of the enterprise, characteristic for long-term mapping out;

elements of strategic mapping out consisting in analytical researches of the external and internal environment of the enterprise for a substantiation of the future strategy;

Tools of acceptance of strategic decisions in real time - a mission formulation, the external and internal analysis, the analysis of financial risk, search of alternatives of development etc. In strategic management mapping out process is supplemented with the methods providing high speed of strategic reaction to changes.

Under condition of traditional structures of management of a mechanistic type (functional, linearly-functional, дивизиональные structures) which prevail as well in branches of a himiko-wood complex, can be used such approaches as decentralisation of powers, formation of target groups, transition from an authoritative management to democratic style, development of informal communications and communications, orientation to economic and socially-psychological management methods, stimulation of the initiative and attraction in new projects of the most skilled, young experts. The given measures promote increase in flexibility of strategy and organizational structure of operation of business, strengthening of a financial condition and increase in level of competitiveness of production in the internal and external markets. It is especially actual for the enterprises of a domestic timber industry complex testing a serious competition from foreign manufacturers.

15.4. Strategic management in the conditions of the market Economy

In «National strategy of a sustainable development of Belarus» the model of the market socially focused economy which basic priority is the increase in a standard of living of the population at the expense of stable and balanced development of real industrial sector, экспортно-ориентированных branches and a building complex is put. Thus the main feature of transitive economy of our country is preservation of a

considerable share of the state in structure of the property of an economic complex that provides high controllability of economy at the expense of the centralised co-ordination of activity of the enterprises of a state sector, pricing and taxation regulation.

Transition to a managing market mechanism changes system of relations and competition level on internal and a foreign market, forces many enterprises including with the state pattern of ownership, to adapt the business for an external environment. In certain situations it demands change of strategic reference points and models of behaviour of the enterprises, necessity of transformation of internal elements: structures of management, style of a management, management methods, specialisations etc. In many respects reforming processes mention also the enterprises of a himiko-wood complex which also have considerable potential possibilities, especially in the field of exhaust экспортноориентированной production.

As a rule, adaptation of the enterprise to changing external conditions is carried out by means of mapping out and realisation of corresponding strategy. Thus it is very important for modern manager to be able to allocate main principles which should be taken as a principle the future strategy of development. The strategist should prove the given principles proceeding from real economic conditions and features of branch.

Now, for example, before лесохозяйственным a country sub-complex the strategic target on maintenance of transition to self-financing of the enterprises of a forestry management is put. In these purposes each timber enterprise should prove the concrete program of actions on prospect on realisation of this purpose, as a matter of fact, to develop the strategic plan. Taking into account specificity of a forestry management it is possible to allocate following main principles of formation of strategy of development of timber enterprises:

1. *A principle неустойчивого, a steady forestry management and лесопользования.* The given principle is put in the working model of a forestry management and realised through system лесоустойчивого designing of a settlement felling area and necessary лесохозяйственных the actions providing maintenance of an ecological integrity of wood ecosystems and functions of working scaffolds. Certain steps to this plan are made in the field of green certification by a technique of board of guardians FSC (Sweden): certificate ГЛХУ «Smorgonsky timber enterprise» is received, in the near future is planned to certificate activity of 20 more timber enterprises. Сертифицирование a forestry management solves both economic,

and ecological problems. On the one hand, it demands observance of rigid requirements on forestry management conducting on stability principles, неистоцительности. On the other hand, gives additional possibilities of export of lumber on the international market, especially in such countries as Sweden, Finland, Great Britain, Germany where there are restrictions on import of not certificated production.

2. *A principle of multi-purpose using working scaffolds.* Development strategy лесохозяйственного the enterprises can be focused on a diversification of activity for the purpose of decrease in dependence of a financial condition from lumber sale. The forestry management in this plan has huge resource potential as working scaffolds as the natural landscape can be used not only for lumber reception. Expansion of industrial workpieces of mushrooms, berries, medicinal raw materials, живицы, the organisation of a recreation, the hunting and rural tourism can essentially improve financial results of a forestry management.

3. *A principle of economic and financial independence of timber enterprises.* This principle provides creation of the economic gear providing gradual transition of timber enterprises on self-financing, the essence of this gear consists in that all incomes connected with multi-purpose using by working scaffolds arrived directly in the order of timber enterprise for the purpose of further реинвестирования in forestry management development. Application of a principle of financial independence of timber enterprises is proved by that factor that today the forestry management is unprofitable because of low volume лесопользования, low wood rates and consequently in a transition period additional financing from the budget is required. In the course of reforming of timber industry activity it is expedient, that obtained from sale of shops of means went on development and updating of technological base лесозаготовительного manufactures.

4. *A principle of market pricing and distribution of production of a forestry management.* Foreign experience shows that a market economy basis is the market mechanism of pricing and realisation of production taking into account supply and demand in the lumber market. At considerable intervention of the state and rigid price control it is difficult to provide preconditions for self-financing лесохозяйственных the enterprises. Now the administrative principle of sequence in lumber distribution to the budgetary organisations, concern "Беллесбумпром" enterprises mainly operates. In a similar situation the timber enterprise at times has no possibility to deliver lumber to more favourable consumers which are ready to get it in 1,5-2 times more expensively. The given factors limit self-financing possibilities лесохозяйственного manufactures.

5. *A principle of profitability of a forestry management.* Until now leading of balance of a profitable and account part of the budget on лесохозяйственному to manufacture practically was not made. Moreover, in constituent documents state лесохозяйственных establishments of the purpose of increase of profitability of a forestry management were not put. All it also has defined the low economic return, financed of the republican budget on a forestry management (about 50 %). In new conditions when before branch the problem of transition of timber enterprises on self-financing is put, the principle of growth of profitability should become basic at financial planning of the future strategy of development лесохозяйственных the enterprises.

6. *A decrease principle затратности лесохозяйственного manufactures.* At formation of strategy of the enterprises of a forestry management as in other and other branches, it is necessary to focus planished actions on decrease in costs. Without rigid economy of means it is impossible to reach self-financing of timber enterprises. On the other hand, use затратных methods of pricing and orientation to a constant rise in prices to lumber can lead to decrease in its competitiveness under the price factor. As a result, heavy users will appear to buy more favourably woody raw materials in Russia or other nearby countries. Besides, researches show that decrease in expenses for 5 % allows to receive the same additional income, as well as increase in sales volume at 51 %. Therefore, strategy of decrease in costs at the expense of perfection of wood management also should be one of the main priorities of timber enterprise.

7. *The principle of multiple strategic mapping out* means necessity of use of multiple financial calculations at a strategy substantiation. This principle allows to carry out strategy financial planning on a likelihood basis and to prove alternative variants of strategy at predicted changes of the surrounding competitive environment.

8. *A principle of strategic training.* At formation of strategy at level of the enterprises it is necessary to consider positive experience of development of a market forestry management in foreign countries. The closest to conditions of Belarus is experience of functioning state лесохозяйственных the enterprises in Poland and the countries of Baltic which work on self-financing principles. Besides, it is necessary to consider those tendencies which occur in the world market of lumber and to form corresponding strategy of expansion of export of production.

As a whole, complex application and a combination of the given principles at a stage of strategic mapping out of activity лесохозяйственных the enterprises is capable to provide realisation of strategy of

transition to self-financing in the shortest terms taking into account real conditions in branch.

The formulation of principles of development of strategy is a prerogative of the top management of the enterprise and it is necessary for definition of priorities of a strategic choice and restriction of a field of strategic search that allows to prove the optimal strategy of a sustainable development of the enterprise or branch. Thus the skilful strategist should *взаимоувязывать* the strategic approaches with a real situation and conditions in other branches consuming production of raw branch. For example, tendencies occurring in a forestry management will be reflected in lumber cost that will affect the final price of production *деревообрабатывающей*, furniture, pulp-and-paper, *drevesno-plitnoj* the industries. The tendency of a rise in prices for woody raw materials, characteristic as well for the world market, is original threat for the branches which are engaged in processing of lumber. Opposition to this threat from the market probably only at the expense of the further optimisation of industrial base and technologies of a timber industry complex of the country.

Thus, the strategic field of activity of the organisations differs certain individual to tendencies and characteristics which should be in details studied and taken as a principle perspective directions of development. At transition and development of market relations strategic management should provide observance of following basic requirements of the market:

1. *External orientation.* The enterprises should be focused on environment - on buyers, competitors, the market and the market environment. Unlike the systems of long-term mapping outs based on forecasts and focused in the organisation, strategic management puts the purpose of working out of the market strategy reflecting requirements of buyers.

2. *Anticipatory strategy.* Anticipatory strategy assumes that the organisation aspires to influence events occurring in environment, instead of simply to react to external circumstances in process of their occurrence. Importance of such strategy is caused at least by two reasons. First, participation in changes occurring in the environment guarantees their timely detection and proper response. Secondly, as changes in environment can have considerable scales and consequences, influence on them can be very vital for the enterprise. For example, the organisation of large sawing manufacture with use of modern technologies and the equipment reduces the future threat of a rise in prices for woody raw materials in certain degree.

3. *Development of information system.* External orientation imposes certain requirements of information system used by firm. Productivity of process of working out and strategy realisation in many respects depends on definition of the necessary information, rational and effective ways of its gathering, and also the analysis, processing and data storage.

4. *Management of knowledge.* Knowledge, whether it be knowledge of technology, marketing, other processes, becomes one of the major actives of any company. As knowledge is concentrated in minds of people, management of them should be carried out in such form that they were accessible to the big groups of people, remained and increased greatly.

5. *The analysis of the information and decision-making in a mode of real time.* The organisations pass from a year planning cycle to continuous, "on-line" system of gathering of the information, its analysis and acceptance of strategic decisions. Working out of such system - a problem uneasy, demanding application of new methods and concepts. It should be enough structured to assist in decision-making difficult situations, enough sensitive to identify necessity for a fast strategic choice, and enough flexible to be applied in the diversified situations.

6. *Enterprise style.* Recently say about importance of development and support in the organisation of spirit of business that assumes creation of such organizational forms and auxiliary systems of strategic management which allow the organisation to use possibilities opening before it more actively much. The given position has special value for large, диверсифицированных the companies, and also the firms operating in быстроразвивающихся branches. In the conditions of a dynamical external environment company strategy should promote formation of the environment favorable for development of business.

7. *A global reality.* Globalisation - one more integral attribute of many modern strategy. Many domestic enterprises at an exit test a competition for the foreign markets from the foreign global companies which have price advantages at the expense of economy on activity scales. Globalisation bears both additional possibilities, and threats, especially for the national companies. For this reason the protectionist policy in many countries is directed on protection of the home producer against global competitors. In the long term the competition only will amplify that will compel finally the small companies to consolidate the capital with larger manufacturers for opposition to global competitors.

Considering complexity of all these factors, process of working out of strategy should have accurately co-ordinated collective activity of management and the personnel which would be based on partner relations and cooperation, economic interest of each participant in the end results of realisation of strate-

gy. In the absence of those, it becomes impossible to count on effective strategic decisions.

15.5. Interrelation of strategic management with others Disciplines

Strategic management as a science urged to provide the modern manager diverse and integrated approaches on management of long-term development of the organisation, methodology of research of strategic problems and findings of optimum administrative decisions. At each stage of strategic process possession of toolkit and methods of many other scientific disciplines for realisation of the external and internal analysis of firm, an estimation of efficiency and a choice of perspective strategy of development, formation of system of actions for its realisation is necessary. Therefore, strategic management is an *integrated, multidisciplinary science* which finishes a cycle of studied disciplines on management and demands system representations in various spheres of scientific knowledge: *экономика, industrial, financial, enterprise, investment and innovative management, human resource management, intrafirm mapping out, marketing, pricing, the taxation, information technology etc.*

Экономика. In the theory of the branch organisation as subsection экономика such concepts, as branch structure, parting layers on an entrance point and an exit from branch, strategic groups are developed. The concept of operational costs acts as the main precondition of realisation of strategy of vertical integration with suppliers or sellers, diversifications in related branches. At last, economists have developed the concept of "an experience curved line», which strategic importance well-known.

Industrial management. Gives necessary knowledge on optimisation of industrial structure of the enterprise, production processes, the organisations of an effective guidance system of quality, substantiations of technological actions for decrease in industrial costs. As a rule, the enterprises leaders in costs invest the basic means in development of the industrial management, new technologies and an infrastructure, providing competitive advantages of the company in the market by such criteria as the goods price, technical characteristics, operational life cycles of a product, guarantee certificates.

Financial management, the account and the analysis. One of the main workings out of the given disciplines is the analysis of joint-stock cost. According to this concept, in the course of strategy working out it is necessary to count its influence on firm cost. It is necessary to note old tradition of re-

searches of problems of a diversification, merges and the absorption directed on maintenance of a powerful financial position of the enterprise for the purpose of opposition to a global competition. From the financial account the concept of risks and management of them also can be borrowed. Financial management arms the modern strategist with elements of the financial analysis of strategic decisions, their influences on long-term profitableness of business.

Enterprise management. Gives knowledge of various organizational-legal forms of conducting the enterprise activity, defining a strategic choice, enterprise risk and possibilities of development of the organisations in long-term prospect. Development of contractual relations and gears of insurance of enterprise risks are important making system of actions for strategy realisation.

Investment and innovative management. Innovative processes, their activization and perfection, working out of new production, a guidance system of investment activity, investment designing and support of projects, calculation of efficiency of design decisions are components of system of strategic mapping out, especially at realisation of innovative strategy of development.

Intrafirm mapping out. Gives to the manager necessary knowledge of the organisation of system of operative business mapping out of activity of the enterprise on short-term prospect. The organisation business plan is developed according to the accepted strategy and actually represents system of short-term actions or plans on realisation of the put strategic target or firm mission. To the majority of the enterprises for realisation of the strategic initiatives directed on development of активностей and компетенций, success major factors, it is necessary to expand mapping out horizons. For this purpose they should find balance between patience and discipline, requirement of the analysis for a mode of real time, flexibility of strategy and requirements of short-term results.

Marketing. Many strategy of the modern enterprises have the marketing nature. Concepts of the branded capital, satisfaction of consumers, positioning, life cycle of the goods, management of commodity categories, the analysis of requirements of buyers and other tools are capable to improve quality of strategic decisions essentially. The knowledge of systems of pricing and the taxation, tendencies of their development gives the necessary information for use of offensive strategy, the strategy of the international diversification focused on optimisation of tax and customs payments, costs on payment, etc.

Human resource management. Working out of effective systems of motivation and stimulation of the personnel, directed on activization and participation in strategic process, strategy support, development of

partner relations, cooperation and cooperations, strategic training and decentralisation of decisions are important components of the complex gear of realisation of strategy of the enterprise.

Organizational behaviour. Theorists of organizational behaviour have considerably promoted in studying of mutual relations between strategy and organizational structure, culture and systems. Researches have shown that insufficient conformity between them can negatively be reflected in results of activity of the enterprise. The organizational behaviour offers set of theories and the tools which use allows to achieve essential increase of efficiency of introduction of strategy.

Information technology. Provide possibility of realisation of multiple calculations at a substantiation of strategy proceeding from look-ahead indicators of development of branch, use of sham models by working out of new strategic decisions, introduction of new production.

16. TOOLS OF THE STRATEGIC MANAGEMENT

16.1. Concept and stages of strategic process

Strategic management is the difficult administrative process consisting in definition of strategic vision and missions, carrying out of analytical researches and revealing of tendencies of development of branch and the enterprise with a view of a substantiation of the future strategy and a series of measures on its realisation. In the organizational plan this process is separated, i.e. divided into certain stages or stages, optimisation of each of which allows to raise efficiency of general system of development of strategy of development of the enterprise. Parting of strategic process into separate elements also allows to use narrow specialisation of employees, raising thereby quality and productivity of their work. At effective co-ordination of management by strategy the given parting is conditional as each separate element is a single whole part - systems of strategic management.

Thus, *strategic process* is a set of actions of management on formation and realisation of strategy which are grouped in logically consecutive and interrelated stages differing with the private purposes and problems, and also used managers approaches, methods and tools. Strategic process can be effective only in the event that at each separate stage optimum decisions are reached. If in the organisation there will be a failure at least on one of stages, the end result - developed strategy - will not be optimum or realised. For example, always there is a danger of that at a strategy substantiation the doubtful or out-of-date information on real possibilities of the competitor, tendencies of development of the market, etc. can be used that threatens the further development or even enterprise existence. Therefore at an investigation phase of the market the information should be rechecked through different alternative sources.

It is obvious that for use of specific toolkit by strategy working out, first of all, it is necessary to solve a problem of information support and a choice of methods of processing of the information. Not casually on a share of the data from price-lists and the analysis of a price policy of competitors 56 % of the data received by industrial espionage, on a share of data on creation of new products - 33 % are necessary, to the information on manufacture methods - 6 %, results of basic researches and studying of strategy of the organisations - 5 % [1].

As a whole, strategic process in modern management subdivide into four *basic stages* (fig. 2.1):

I. *Definition of strategic vision and mission.* At formation of strategic vision the basic priorities and intentions on business development in the future are defined, the choice of a concrete field of activity is made. Mission characterises available advantages and features of the enterprise, its difference from competitors and acts as a basis for development of strategic targets.

II. The *strategic analysis of environment* - consists in carrying out of analytical researches of possibilities and threats from an external environment, revealing of the running position of the enterprise in relation to competitors, its definition strong and weaknesses (the so-called SWOT-analysis). The analysis of environment is initial process for a substantiation of the future strategy of development of the enterprise, the formulated mission directed on realisation and the purposes. The internal environment of the organisation is analyzed in following directions: marketing, the finance and the account, manufacture, the personnel, the management organisation. At the analysis of an external environment economic, political, social, international factors, and also competition factors are investigated. An *ultimate goal* of the given stage is the formulation of main objectives and problems which answer on a question: «*What we would want to see our enterprise in the future?*».

III. The *strategic choice* assumes formation and an estimation of possible alternative directions of development of the organisation, a choice of the optimal strategic alternative of realisation taking into account had resources and tendencies of development of the market. It is thus used the special toolkit including quantitative and qualitative methods of the analysis and forecasting, working out of scenarios of the future development (multiple mapping out), портфельный the analysis. An ultimate goal of the given stage is working out of the concrete strategic plan of action in the market in which perspective strategy is proved and the budget on achievement of the put strategic targets miscalculates. At the given stage the answer to a question is given: «*How we can realise strategy, and what technical, financial, personnel and communication resources we possess?*».



Fig. 16.1. Model of process of strategic management

IV. *Realisation of strategy and the strategic supervisory control.* The given stage is the most important in system of strategic management as the effective gear of realisation of strategy leads the enterprise to achievement of the put strategic targets, mission. Strategy realisation is carried out through working out of programs, budgets and procedures which can be considered as intermediate term and short-range plans of realisation of mission, *взаимоувязанные* general system of business mapping out of activity of the enterprise. At the given stage perfection of organizational structure of management for the purpose of adaptation to realised strategy, use of the most effective organizational approaches and management methods, technological modernisation, strategy information support, a choice of system of stimulation and development of the organizational culture, supporting strategy realisation is spent.

The basic components of successful performance of strategy:

purposes of strategy and plans are lead up to all workers to reach from their party of that understanding to what the organisation aspires, and to involve in process of realisation of strategy;

management in due time provides receipt of all necessary

for realisation of strategy of resources, forms the plan of realisation of strategy in the form of purposes;

In the course of strategy realisation each level of a management solves the problems and carries out the functions fixed to it.

Results of realisation of strategy are estimated, and by means of feedback system the supervisory control of activity of the organisation in which course there can be an updating of the previous stages is carried out. The system *of the complex strategic supervisory control* urged to provide timely revealing of deflexions, occurrence of crisis situations and an estimation of overall performance of the personnel at each stage of strategic process.

16.2. Formation of strategic vision, mission and the enterprise purposes

Working out of strategy of the organisation begins with formation of vision and a choice of a direction of development. Vision is necessary for an effective management and acceptance of critical decisions. The modern manager cannot operate effectively as the leader or the head defining strategy without firm understanding of essence and prospects of development of the business (field of activity), that comprehension to what it is necessary to aspire as the situation in branch in the future will change and as this change will affect enterprise position in 5-10 years.

Thus, strategic *vision* is the concentrated opinion of a management concerning priority directions of development, fields of activity and requirements of buyers, and also possible competitive positions of the enterprise in long-term prospect. In a case if the management does not count variants of situations on the future, the organisation misses available market possibilities and loses the competitive advantages. The companies not possessing strategic vision do not know, they should aspire to win what market position for themselves. Therefore, *precisely formulated vision is the obligatory precondition of steady strategic leadership of the organisation.*

According to A.A.Thompson, А.Дж. Стрикленда, formation of strategic vision begins with creation of three basic making components:

Missions of the firm defining position and business model of firm at the moment.

Long-term course developed on the basis of mission and defining business strategy of development of the enterprise.

Accurate formulation *of strategic vision* for reception of broad support of all employees.

Mission is a formulation of an essence of activity, specificity of business and a way of development of the organisation - all that distinguishes the given organisation from the others in this branch.

In mission definition the following information on the enterprise is accordingly reflected:

1. The reason of creation and its distinctive features, competitive advantages in comparison with other enterprises.
2. The information arriving in environment about activity of the organisation and its basic strategic intentions.
3. The form of perception of the organisation or its image in the name of major customers, production consumers.
4. Concrete definition of fields of activity of the enterprise and perspective directions of their development.
5. Role мотива́тора for employees of the organisation, formation of certain interest from an external environment (suppliers, clients, shareholders, the state and etc.).

Sometimes the commercial enterprises wrongly define mission as profit reception. Actually, the profit is the purpose and result of activity of firm. As a rule, the aspiration to reception of the maximum profit can lead to reduction of the manufacturing costs creating additional value of a product, to personnel or salary reduction. Similar mission will not find support among employees or clients that can essentially worsen reputation and firm position.

Ways of reception of profit on enterprise activity define the term *of model of business (business model)*. Formally model of business of firm is connected from economic making strategy, with actual both planished incomes and expenses of realisation of the goods, streams of profit and a recoument of investments. Hence, concept of business model already concepts of strategy, mission. Mission in certain degree also is an explanation of the used business model providing profitableness of the company.

According to A.A.Thompson, А.Дж. Стрикленда, the mission formulation contains the description of three main elements:

1. Requirements of the buyer, i.e. those preferences and expectations with which it is necessary to satisfy.
2. Groups of consumers, i.e. definitions of concrete objects of service.
3. Strategic actions, technologies and knowledge i.e. how the enterprise creates and extends consumer value and satisfies requirements of the clients.

At formation of mission and enterprise strategy it is very important to find out the basic expectations of consumers or clients concerning let out production from the point of view of the price, quality, assortment, correctly to select the target consumer groups (the target markets) - geographical and demographic which the enterprise can effectively serve.

Technology, knowledge and the business organisation defines chain links of costs «manufacture - production realisation». In this plan mission specifies in width of coverage of branch or, in other words, defines level of integration of the enterprise.

Depending on degree of coverage of a chain of costs distinguish:

Completely integrated enterprises which work with all chain of manufacture and distribution of the goods (services) to directly end user. For example, Joint-Stock Company "Пинскдрев" has own лесозаготовительное the enterprise, деревообрабатывающее and furniture manufactures, a dealer network and firm shops on production realisation.

Partially integrated enterprises cover only some stages of process of manufacture and production distribution. For example, partially integrated enterprises are the timber enterprises having in the structure лесохозяйственное and лесозаготовительное manufactures.

The Purpose-built enterprises are concentrated only to one of stages of a chain of manufacture or industrial output distribution. For example, УП "Belleseksport" is engaged exclusively in sales лесопродукции on external and home market and has no industrial activity.

Large integrated or диверсифицированные the organisations formulate the mission and define fields of activity more widely, than one-profile firms. It does their opened and convenient for switch connection of new spheres of activity in the long term. As a whole, mission should be formulated enough обобщенно and, at the same time, particularly specify the reason of existence of the given enterprise.

The mission of the enterprise addressed to its clients, forms a certain image and reputation of the given enterprise in their eyes and can be expressed in following categories (forms):

1) *провидческих*, for example mission firms KAMIS (foodstuff) - «Life with taste». The furniture enterprise which is letting out convenient and comfortable furniture, can formulate mission «Life with comfort»;

2) *Connecting interests of the consumer with a product*. For example, firm IBM mission - «Service - here our product», firms Motorola «Adequately to serve needs of a society, providing consumers with production and services of the highest quality in the moderate price». Small деревообрабатывающая the firm can express accordingly the mission as «Manufac-

ture of qualitative materials from lumber for refinishing of premises and the cottages executed under the individual order of clients and with granting of free services of the designer»;

3) *Advantages of the company* before competitors, for example firm Microsoft mission «the Leading part in the software of computers», Open Society "ФАНДОК" - «Deduction of an in the lead position in plywood manufacture in home market».

At a mission formulation exact terms of realisation of strategic targets usually are not specified. As a rule, mission is focused on more remote prospect in comparison with strategy. Finally, mission can be reached as a result of stage-by-stage realisation of one or several strategy. In this plan strategic vision or mission are primary, strategy - secondary. It means that the formulated mission gives a necessary basis for the further working out of strategy. Thus, strategy is a concrete plan of action on realisation of mission of the enterprise.

Mission carries out following *basic functions*:

Definition of concrete fields of activity of the enterprise;

Definition of forms of satisfaction of requirements of clients and organisation consumers (the offer of the goods at the low prices, the offer of better production and etc.);

Definition of image of the enterprise for corporate clients;

■ orientation of actions of the personnel within the limits of the uniform purpose;

basis for a formulation of strategic targets of functional departments, the enterprises as a whole.

It is expedient to formulate mission for the cores (manufacture, marketing, the finance, research and development) and auxiliary (shots, the information, safety) services of the enterprise which accurately specify in their contribution to general mission and enterprise activity. *Functional missions* help heads of departments to define an organizational role and frameworks of activity of their divisions:

Mission of industrial department can consist in operative performance of mapped out volumes of output, controlling and minimisation of industrial costs, an exception of unproductive expenses, marriage by means of a complex guidance system of quality.

Mission of department of marketing consists in maintenance of effective advancement of production and informing of clients, consumers about given value of the goods, its distinctive properties, deducing of new production on the market, stimulation of sales and expansion of client base, development of new commodity markets at the minimum marketing costs.

Staff department Mission consists in entering of the contribution into success of the enterprise at the expense of preparation of effective leaders, creation of high-efficiency working groups and maximisation of potential of each separate worker.

Vision and mission should be formulated such words which would inspire workers on rendering assistance in their realisation and served as the powerful tool of motivation. In people causes a pride participation in the organisation which carries out useful mission and the life of the best in the world in what that of important area aspires. The possession bright mission or common cause performance consolidates people, stimulates the appendix of additional efforts and is at the bottom of that people live business, instead of simply come for work [44].

Formation of strategic vision and mission on Joint-Stock Company "Пинскдрев" example.

Joint-Stock Company "Пинскдрев" is a leading enterprise in Belarus on manufacture of the furniture production differentiated according to needs of consumers with differing consumer possibilities. Our firm aspires to achievement of competitive advantage by the offer of quality furniture, a variety assortиментных groups at use of modern technologies in manufacture, management and production advancement. We operate on following segments of the market: upholstered furniture, furniture for kitchen, case furniture and furniture for office.

For improvement of general productivity we have adjusted a swap of experience, knowledge and resources between various divisions. We aspire to achievement of steady growth of sales volumes and profit on a planned basis, harmoniously combining short-term and activity long-term objectives.

Joint-Stock Company "Пинскдрев" mission - achievement of indisputable leadership in home market in manufacture and furniture distribution, creation of new models of production, a gradual gain and strengthening of the positions in a foreign market. We offer following commodity lines.

- Upholstered furniture: soft corners, ottomans, armchairs-beds, easy chairs;
- Sets of furniture for kitchen;
- Case furniture: walls, dressers, pattens;
- Sets of furniture for a bedroom;
- Office furniture: office tables, tables for computers, office technics, a patten, chairs.

Values of Joint-Stock Company "Пинскдрев"

For achievement put above the purposes the enterprise establishes a number of standards.

The **personnel**. *We try to involve, keep and adequately to remunerate the best experts in all spheres of our business. We use a policy of payment and additional payments by results of activity of employees, we provide vocational training and career growth on the basis of equal possibilities and depending on personal achievements of the worker. We wait from workers of adherence to ideas of unity, friendliness, an openness, cooperation, aspiration to achievement of high standards. We appreciate the innovative approach, an active position, organizational flexibility and mobility, we aspire to encourage unique abilities and offers in every possible way. We recognise and we aspire to realise advantages of a combination of various cultures, sights and characters.*

Consumers. *We invest and we will invest in the technologies necessary for successful development of each commodity category. We also will offer henceforth to consumers the quality goods at the comprehensible prices. We will give qualitative service to all our consumers, both on internal, and in foreign markets. Our enterprise considers the consumers as associates, tries to understand their requirements, adheres to principles of an openness and honesty in dialogue and work with them. From its part we try to be the good associate and for our suppliers, maintaining with them the open and valid relations. These values are considered by our firm as a basis for growth of its productivity.*

Society. *We operate within the limits of the law everywhere where we carry out the activity. We participate in life of a society and the decision of social problems of neighbouring commune, area, the country. Our production is safe in manufacture and use. We make thrifty use of preservation of natural resources and we invest in environment improvement, including at the expense of introduction *печеросберегающих* technologies.*

Well formulated mission of the enterprise is a basis of formation long-term, intermediate term and enterprise short-term objectives. Process of an establishment of the purposes will transform strategic vision and a development course to results and reference points on a development way to which it is necessary to aspire. The *enterprise purposes* represent the detailed description of the primary goals on realisation of mission of the enterprise. The purposes express themselves the obligation to achieve concrete results in certain time frameworks.

The purposes matter as the administrative tool only when they are established in the *quantitative form* and define *term of achievement* of desirable result. Foreign experience shows that the companies which heads establish the purposes on all groups of key indicators, and then is corrosive движутся to these purposes, usually overtake those firms which heads have good resolves, work much and hope for success, but do not undertake serious active actions.

The basic functions of strategic targets concern following aspects:

Maintenance of reception with proprietors of high profit, maintenance of profitable work of the enterprise, maintenance of financial liquidity, safety of work;

Reflexion of concrete fields of activity of the enterprise and their key parametres of development.

As a whole the system of the purposes at the enterprise has certain structure (hierarchy) depending on their sequence and realisation terms. Definition of the purposes in a greater degree occurs from top to down that there was a possibility to direct heads of organizational divisions and heads of the bottom level on achievement of the results supporting overall aims of the enterprise.

In system of strategic management distinguish the *global (strategic)* and *local (functional) purposes*.

As the *global purposes* understand the general perspective purposes of development of the organisation, allowing to improve long-term market positions and competitiveness of the enterprise. The global (strategic) purposes are long-term objectives which are subordinated missions and actually differ from it a concrete definition of terms of realisation.

The global purposes are basic at a formulation of strategic targets for key divisions (manufacture, marketing, research and development, the finance) which are responsible for realisation of strategy (mission) of the enterprise. Actually global purposes can be formulated as enough обобщенно («to become the leader in this or that market»), and is detailed enough («to increase the sizes have arrived on 50 % within next five years»).

The *local (functional) purposes* are the purposes complementary each other which realisation is directed on achievement of strategic targets (increase of competitiveness, profitability of the enterprise, improvement of quality of the goods, a work environment, share price growth, decrease in costs, etc.). The functional purposes in aggregate provide growth of manufacture and production sale. Most important of the functional purposes are the financial purposes providing a survival of the enterprise in the conditions of risk and financing of its steady long-term development.

Set of the global and local purposes according to their priorities forms a *tree of strategic targets*. The local purposes detail the global purposes in various directions and enterprise fields of activity (manufacture, the finance, sale, marketing, research and development, shots etc.). For example, mission лесохозяйственного the enterprises - to provide a forestry management sustainable development on self-financing principles, the enterprise strategic target - to provide profitable work of the enterprise within 3th years. The local purpose of department of a forestry management - to provide decrease лесохозяйственных expenses on 5 % annually at the expense of salary redistribution between budgetary and self-supporting activity, uses less затратных technologies лесовыращивания. The local purpose of department of marketing and sale - to provide growth of volumes of realisation of lumber in a round sort annually on 20 % at the expense of expansion of client base

16.3. The external strategic analysis

The *external analysis of firm* represents set of analytical actions of management for the purpose of tracing of tendencies in change of a condition of environment of the enterprise, competition level in branch, presence of favorable possibilities of development of business and threats from an external environment on which basis the strategic choice of the further ways of development is made. As a rule, the external environment of the organisation is difficult and diverse on number of factors (fig. 2.2), influencing the future strategy. Therefore, researchers-analysts should narrow width situational пофакторного the analysis to comprehensible level from the point of view of the budget of expenses and allocate group of the major factors, making appreciable impact on the present and future competitive position of the enterprise.

At realisation of the strategic analysis it is necessary for managers to give the basic attention to definition of the nature and degree of impact of key factors macro- both microhabitats on the present and future strategy and tactics on mission realisation.

The overall objective of the external strategic analysis of firm consists in defining:

Frameworks in which the given enterprise will operate;

Possible good situations or threats from outside micro- and macroenvironments;

Findings-out of the basic intentions, strategic actions, and also strong and weaknesses of competitors.

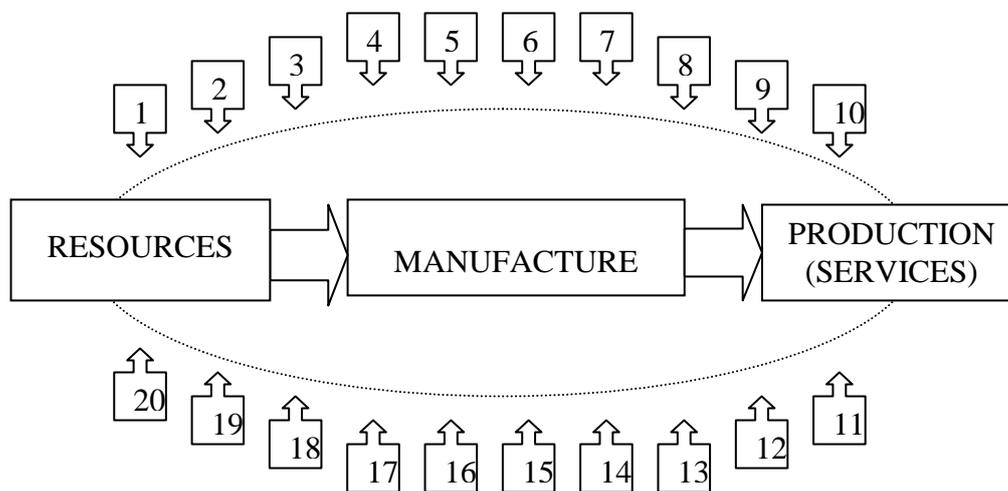


Fig. 16.2. Factors of the external analysis of firm:

1-suppliers of material resources; 2-suppliers of technologies, technics, the equipment; 3-suppliers of the personnel; 4-suppliers of the finance; 5-trade unions; 6-obshcheekonomicheskie factors (gross national product growth, inflation, the rate of exchange, etc.); 7-political factors; the 8-international factors; management 9-state structures; 10-tax system; 11-social factors; formation 12-factors; 13-national factors; 14-regional factors; 15-competitors; 16-development HTII; 17-cultural traditions; entrance point 18-parting layers in branch; 19-buyers; the 20-competitive environment of the enterprise.

The structure of the external analysis includes a qualitative and quantitative estimation of following groups of factors and indicators:

I. The **market** Analysis:

Products: quantity, assortment and the nomenclature of offered production, quality, competitiveness level, dynamics of a total volume of manufacture, rates of increase of sales, market shares, a price level and their development in the long-term period, methods of advancement and the budget on advertising counting on a commodity unit, the sizes of investments and volume of made new production.

Market Distribution: regions, dealers, distributors, their structure (individual share in the market) and dynamics of development, financial possibilities, presence or absence of seasonal variations in production purchases, volumes of deliveries to wholesalers and retail trade, working conditions with sellers, level of a competition among sellers, presence of the goods-substitutes: quantity, quality, the price and their dynamics in the long-term period.

Production Consumers: studying of dynamics of a consumer demand, growth of real incomes of the population, basic needs and expectations of buyers, an estimation of quality of servicing, consumers from the branch enterprises, demographic factors.

Personnel conditions: the offer on a labour market and its dynamics, quality of experts, development of educational institutions, consulting and рекрутинговых services, a rate of unemployment, dynamics of a salary in the given branch and other sectors of economy.

New technologies: presence and application in branches, cost, profitability, availability, influence on profitability of made products, quality, development and use of information technology, Internet and Intranet.

Capital: rates per hundred under credits and their dynamics, availability for short-term and business long-term financing, a condition and stock market development, level and dynamics of inflation.

Raw materials: requirement, availability, dynamics of the prices, possibilities of use of alternative sources of raw materials, level of a competition among suppliers, their economic possibilities, working conditions.

II. The Analysis of competitors:

Competitor firms: quantity, a site, remoteness from the basic market of the investigated enterprise, economic-economic situation, a participation share in the market and its change, dynamics of growth, opening of branches, an estimation of threat from beginners of the market.

Competing products: a share of the market of each product and its change, dynamics of the prices, structure of expenses.

Comparison of products: competitiveness, the quality, used manufacturing techniques, profitability of manufacture.

III. The branch Analysis:

Branch Structure: distribution of the enterprises on market shares, grouping on profitability, definition of group of leaders, level of integration of the enterprises, presence of firms-beginners.

Forecasts and dynamics of development: rates of increase of volumes of output, sales, the prices, quantity of the new goods and their share, rates of increase of branch demand.

Degree of appeal of branch: potential of growth of branch, a recoument of investments, profitableness in comparison with other branches, degree of risk and uncertainty in the future development of the branch, a steady rise in prices.

Conditions of the introduction into branch: a manufacture capital intensity, level of costs, licensing, certification, presence of recognised trade marks (brands).

Possibilities and threats of a branch environment: intensity of a competition, pressure from clients, buyers, suppliers, level of cooperation and integration of the enterprises into branches.

Features of the branch legislation regulating activity of the enterprises.

Collective agreements (contracts) and trade contracts.

IV. The Analysis **of the general legislation:**

Permission to a point of production and a method of production (licensing).

Principles of conducting trade.

Customs legislation on export (import) of production.

Tax laws.

Statutory acts concerning protection of environment and use of production wastes.

Statutory acts concerning hiring and use of workers.

V. The Analysis **of transport, power supplies, communications:**

Development of a transport infrastructure in the country and competition level in the market of transport services.

Analysis of costs on alternative types of transport: water, railway, automobile, air.

Availability and cost of power supplies, dynamics of power inputs, a share in production cost price.

Possibilities of use of alternative power supplies in branch.

Technical and economic possibilities of maintenance with modern, operative communication and communications.

In whole, the uniform and complete technique of the analysis of environment is not present, as in much its structure depends on situational factors of the branch environment and competition motive forces. In this connection, the approximate technique of the external analysis resulted above should be modified under specificity of conditions of activity of the concrete enterprise or branch.

In the course of the external analysis managers should find out what changes have occurred in the market that was at the bottom of the given changes and as they can affect the future activity of the enterprise. Allocate following reasons of strategic changes in structure of a competition and in environment:

1. *Development Internet and electronic commerce.* Use Internet by revolutionary image changes business dealing and trade methods, destroys borders between branches and creates a competition between not connected branches. Many domestic enterprises also start to use electronic commerce, create the web-sites that considerably reduces costs on advancement of the goods, facilitates search of new clients and improves quality of service of

available client base, adjusts effective communications between the manufacturer and the end user of production.

2. *Change of long-term tendencies of development of branch.* Reforming of economy of Belarus and private sector development, occurrence of the new enterprises strengthens competition level in branches, narrows the market of traditional manufacturers, especially large enterprises. In the inheritance from the former Soviet economy we managed enough considerable quantity of the large enterprises which owing to the size and activity scales appear less mobile and agile to market changes in comparison with small manufacturers. For example, in the furniture industry there were many small private manufacturers of furniture who concentrate the attention to an individualization of production and additional services by the buyer (free delivery and assemblage, order possibility through Internet, a wide choice of the materials, the demanded sizes, etc.) render. It puts serious pressure upon the large manufacturers of furniture focused on exhaust of the standard goods.

3. *Change of structure and preferences of consumers.* At change of real incomes of the population preferences of buyers towards individualised or standardised production change. Under condition of stable growth of incomes consumers start to pay attention to quality of the goods, the offered assortment, the individualised properties of the goods more. In this situation the enterprises offering standardised production, start to experience difficulties with sale.

4. *Introduction of the new goods.* The offer of the successful new goods strengthens positions of the manufacturer and weakens position of the enterprises lagging behind in innovative activity. Introduction of new products expands client base and gives an additional impulse for branch development as competitor firms, not to lose the share of the market, aspire to the further differentiation of production.

5. *Development of technologies.* Use of technological novelties can change radically a situation in branch. The enterprises to which managed to develop and apply new technologies, are capable to become 10 times more by competitive possibilities in relation to traditional leaders. Development of technologies strengthens effect обучаемости, causes significant changes in optimum capacity of the enterprise, channels of distribution of production, logistics.

6. *Marketing innovations.* Use of new approaches in marketing raises interest to the goods, increases by them demand, accelerates processes of differentiation of firm and reduces the cost price of a unit of production.

All it weakens positions of competitor firms, forcing them to correct the strategy.

The main component of all marketing innovations - Internet. By some estimations, in world economy the volume of commercial operations in Internet in 2003 made about 1,3 bln. dollars Internet involves in a global competition all companies, irrespective of the location. It in particular concerns the enterprises making qualitative production with low expenses for transportation. Internet serves as the low-cost channel of service of consumers. For example, *DellComputer* uses the special program which accepts electronic messages from users about malfunctions in computers, defines the reasons and also sends recommendations or programs of automatic debugging - and all it without participation of the personnel of the company [44, c.243].

7. *An exit (leaving) on the market of the large companies.* Occurrence in the market of the powerful competitor always changes competition conditions - whether it be the foreign company in the market where local firms earlier dominated, or large domestic-owned firm which takes root into other branch at the expense of acquisition or creation of the new enterprise. All it changes alignment of forces and competition structure in branch. At leaving from the large firm market struggle of the remained firms for attraction of clients left with the market also becomes aggravated.

8. *Changes in the legislation and a state policy.* New laws and government actions can make considerable impact on activity and strategy of the enterprises. Licensing of certain sorts of activity, a re-registration of the enterprises, introduction of new tax modes, introduction of institute state лесоэкспортеров affects behaviour of the enterprises, changes competition structure. For example, according to the program of development of a forestry management transfer of lumbar harvests to structure of the Ministry of a forestry management is provided. In new conditions the mature forest on a root will not be object of purchase and sale, and лесозаготовительные the enterprises entering into structure of concern "Беллесбумпром", services in lumber workpiece on a paid basis лесохозяйственным can render only to the enterprises. In this case the prepared lumber remains at the disposal of timber enterprise, instead of леспромхоза as it was earlier. In the present state of affairs working conditions and relations between the branch enterprises essentially change.

9. *Growing globalisation of branches.* Many large domestic enterprises, which volumes of output exceed internal requirements of the market, are compelled to leave for foreign markets, facing a global competition. Globalisation allows to strengthen essentially market positions of the

company, to involve new clients, to reduce level of costs and to raise competitiveness, to lower enterprise risk at the expense of expansion of a commodity market of production.

The enterprises which work in the several countries, name competitors *international (or multinational) scale*, and the companies aspiring to presence in the markets of all (majority) of the countries - *global competitors*. For example, Joint-Stock Company "Пинскдрев" about 70 % of production exports to Russia, Germany, Holland, Belgium, France, Denmark, the USA, Mongolia and other countries that allows to allocate it in group of multinational competitors. Globalisation is inevitable development of many domestic экспортноориентированных the enterprises as gives additional benefits and investment resources on manufacture re-structuring, providing with that the best competitive positions on internal and a foreign market.

10. *Change of public values and a way of life*. Occurrence of new social problems, public opinion and style of life change also is a powerful source of changes in branch. Concern of the public in environmental problems has forced heads of the industrial enterprises to include in budgets of the item of expenses on preservation of the environment. The same problems became the reason of occurrence of necessity for green certification. Some developed European countries (Sweden, Finland, Germany, etc.) limit import of not certificated lumber from other countries for the purpose of stimulation of the governments in carrying out of certification of the forestry management providing observance of principles неистощительности, stability.

At carrying out of the external analysis it is necessary to reveal the basic long-term tendencies of change of motive forces in branches, their influence on the future strategy of the enterprise. With that end in view also should environment monitoring is made. *Environment monitoring* is a constant supervision over processes in economy, the politician, ecology, technologies, a society for revealing of tendencies and conditions which can affect a condition of branch and creates new possibilities or threats for the further development. Monitoring of environment is supplemented with working out of scenarios of development and a method of expert estimations that allows to expand horizons of strategic mapping out.

Following important stage of realisation of the external analysis is the analysis of position of competitors in the market. Effective enough method of comparison of competitive positions is the method of working out of a card of strategic groups. The *strategic card* is a graphic representation of groups of competitor firms with approximately identical strategy and position in the market or consolidated on other general signs: assort-

ment, a parity the price/quality, distribution channels, the target markets applied by technologies, service and technical support level. The mapping of strategic groups helps to understand better feature of a competition in difficult branches and to reveal the nearest competitors of the enterprise.

For drawing up of a strategic card and definition of an accessory of the enterprise to this or that group it is necessary to execute following actions:

To establish parametres of differentiation of the enterprises of branch: a parity the price/quality (high, average, low), geographical scale of activity (local, regional, national, global), degree вертикальной integration (no, partial, full), production assortment (wide, narrow), distribution channels (one is a lot of, a little,), a set of services (no, ограниченный, full);

To make schedules on two selected parametres and to designate an enterprise site;

To consolidate the enterprises located approximately in an identical position, in one strategic group;

To conclude each group in a circle which diameter would correspond to a group share in total amount of sales of branch.

On fig. 16.3 the example of a strategic card of some large enterprises of a wood complex of Belarus made on two key parametres is presented: a share of the market and assortment of let out production. Apparently on the schedule, absolute leadership has, as already it was marked earlier, Joint-Stock Company "Пинскдрев", which share in 2 and more times above other enterprises of branch.

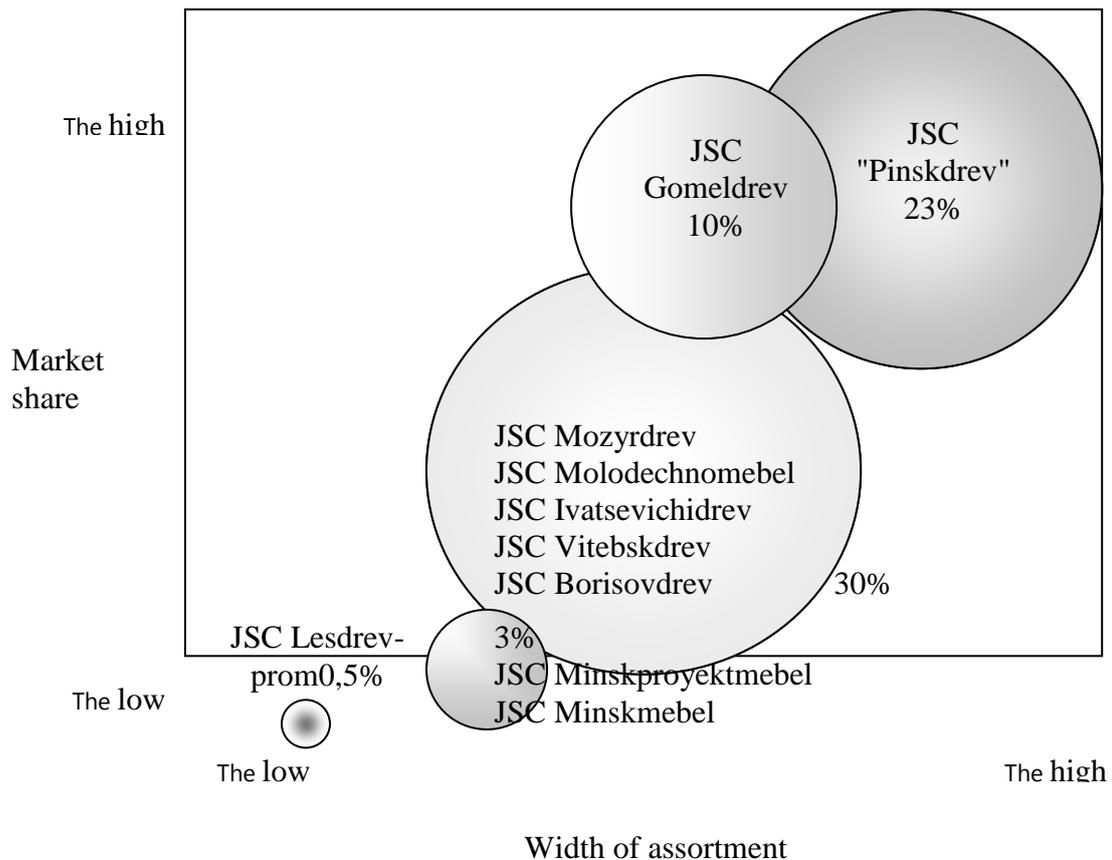


Fig. 16.3. A strategic card of the enterprises of a wood complex

The strategic card shows that the strategic groups to each other, the more strongly competitive struggle between the companies entering into them are more close located. Among themselves the enterprises of one strategic group most strongly compete, and members of the nearest strategic groups will be their competitors second for the importance. Considerably remote strategic groups put insignificant competitive pressure against each other.

Managers should collect constantly the information on strategy and actions of competitors, to estimate their strong and weaknesses and on the basis of received given to predict their action. The enterprises which are not studying behaviour of competitors, guide competitive struggle blindly. In business as in the war, the analytics has very much great value for a victory in competitive struggle. Prospecting and analytical activity helps to take in due time of a defensive position in reply to actions of competitors. The best source of the information on strategy of competitors - supervision over a

situation in the market and the analysis of statements of a management of the given enterprises. The additional information can be received from analytical or financial reports, articles in trade papers, press releases, websites, an enterprise exposition at exhibitions, conversations with clients, suppliers and the former workers of the given enterprises. It is considered that the company having full and trustworthy information about the competitors, with other things being equal is in more advantageous position. At carrying out of researches representation of events and changes in dynamics for revealing of the future leaders, forecasting of their behaviour and definition of structure of branch in the long term is necessary.

On the basis of the data received in the course of the external analysis about tendencies of development of branch and a competition conclusions should be drawn on prospects and possibilities of development of business, and also threats from the branch environment (tab. 2.1 see). A final stage of external researches is the formulation of key factors of success in competitive struggle. *Key factors of success* (КФУ) are consumer properties of the goods, experience and knowledge, effective marketing both administrative technologies and all other factors raising profitability of the enterprise.

As key factors of success it is possible to allocate following groups:

Technological: quality of research and development, an innovation in production, working out of new sorts of the goods, development of modern technologies, use the Internet or the software.

Industrial: the low cost price, a product quality, a heavy use of the basic means, a favourable site of the enterprise, inflow of qualified personnel, high efficiency, manufacturing of the goods to order, production registration.

Marketing: a wide network of wholesale distributors (dealers), unlimited access to points of retail trade, presence of own firm shops, low marketing expenses, fast delivery.

Marketing: a good technical support, a high degree of service of clients, exact performance of orders, wide assortment of the goods, high qualification of the trading personnel, attractive design (packing), guarantee certificates, qualitative advertising.

Personnel: high professionalism of workers, a know-how in a quality control, design skill (for example, in furniture manufacture), modernisation of the existing goods and fast introduction of new sorts in manufacture.

Organizational: perfect information systems, fast reaction to change of a market situation, use the Internet, qualitative system of management.

Other KФУ: good image (reputation) of the enterprise, general low costs, goodwill of all employees and managers, patent protection of organizational know-how [2].

For example, cores KФУ in furniture manufacture are the wide assortment of production, design and colour of models, presence of a wide network of distributors and-or own firm trade, a total load of capacities, rather low expenses and the attractive prices. At formation of the future strategy of development each manufacturer should be guided on key KФУ as the future financial and competitive position of the enterprise depends on it.

16.4. The internal analysis of activity of the organisation

In the course of working out of strategy after diagnostics of external threats and possibilities a following stage of the complex strategic analysis is definition of internal competitive positions and the resources of the enterprise necessary for realisation of external possibilities or factors of success.

The *internal analysis of firm* is a system of analytical actions of the management directed on detailed research of a condition of the internal environment of the enterprise and its conformity to external possibilities (KФУ), definition strong and weaknesses in is industrial-economic activities also a competitive position of the enterprise in the market, in operating branch.

Overall objective of the internal analysis - deep studying of results of activity of the enterprise, revealing of its advantages or lacks in comparison with competitors, среднеотраслевыми indicators. Therefore, at an estimation of internal factors the comparative analysis of results of activity of the enterprise with results of external researches is used. The basic feature of the internal analysis is carefulness and detail of researches that speaks its strategic importance and availability of the information on sales, profits, costs, organizational structure of the management, used technologies in manufacture, management, marketing, etc. Given information is base for an estimation operating and formations of the future strategy, definition of necessary resources for its realisation. The most important at carrying out both external, and the internal analysis is research of all phenomena and processes in dynamics for definition of long-term tendencies of develop-

ment of the enterprise, an estimation of its flexibility and readiness for changes, adaptation to factors of the branch environment.

The *technique of the internal analysis* provides carrying out of researches on following basic fields of activity of the enterprise and parameters of their efficiency:

1. An *enterprise general characteristic*: the description of the main objectives (mission), operating strategy, activity sorts; pattern of ownership and a site, their influence on competitiveness of the enterprise; sources of formation and distribution of profit, possibility of a strategic choice, an image and prestige of the organisation, the sizes and activity scales.

2. The *Financial and economic analysis*: flexibility of structure of the capital, an estimation of profit and profitability of business (enterprise), indicators of financial stability and their dynamics, the analysis of efficiency of use of the core and enterprise working capital in the long-term period, an assessment of works of financial services on management of financial and investment means of the enterprise, information systems of the analysis of the financial information and their use, an estimation of general financial and investment potential of the enterprise for maintenance of the further growth (tab. 2.2).

Table 16.2

| № п/п | Economic indicator | The calculation formula | Use area |
|------------------------------------|---|--|---|
| <i>Liquidity indicators</i> | | | |
| 1. | The flowing Liquidity The normative: 1,5-2,0 | $\frac{\text{Flowing actives (turnaround means)}}{\text{The running obligations}}$ | Shows, in what degree creditor obligations are provided with enterprise circulating assets |
| 2. | Fast liquidity The normative: 0,5-1.0 | $\frac{\text{Circulating assets - ТМзапасы}}{\text{The running obligations}}$ | Reflects degree of sufficiency of the most liquid means: money resources, a debt receivable |
| 3. | Instant (absolute) liquidity Норматив:0,05-0,2 | $\frac{\text{Money resources}}{\text{Obligations of the running period}}$ | Reflects degree of sufficiency of money resources for repayment of debts against creditors |
| <i>Turnover indicators</i> | | | |
| 4. | Turnover of ТМ of stocks | $\frac{\text{The cost price реализ. Production}}{\text{Cost ТМ of stocks}}$ | Characterises efficiency (profitability) of a nesting of means in ТМ stocks. Defines reserves of economy of circulating |

| № п/п | Economic indicator | The calculation formula | Use area |
|---|---|--|---|
| | | | assets |
| 5. | Turnover of receivables | $\frac{\text{Sales volume on credit}}{\text{The debt receivable sum}}$ | Characterises speed of performance of obligations debtors of the enterprise. Is key at derivation of relations with associates |
| 6. | Turnover of finished goods | $\frac{\text{Volume of realisation of production}}{\text{Mid-annual stocks ГП}}$ | Reflects speed of reaction of the market on enterprise production. Is the main thing at management of assortment |
| 7. | Turnover of cumulative means | $\frac{\text{Volume of realisation of production}}{\text{Cumulative actives}}$ | Reflects management efficiency all actives of the enterprise |
| 8. | Turnover of fixed assets | $\frac{\text{Volume of realisation of production}}{\text{Fixed capital (residual cost)}}$ | Reflects efficiency of a nesting of means in fixed capital. It is important at a choice of strategy of growth and a diversification |
| <i>Solvency indicators</i> | | | |
| 9. | Factor Debts | $\frac{\text{Cumulative obligations}}{\text{Cumulative actives}}$ $\frac{\text{Flowing about-va} + \text{long-term about-va}}{\text{Cumulative actives}}$ | Reflects dependence degree in financing of the enterprise from the extra capital in whole and in structure of extra means |
| 10. | Factor Coatings of percentage payments | $\frac{\text{The pure running income}}{\text{Percent paid}}$ | Reflects degree of advantage of attraction of extra means for enterprise development |
| <i>Profitableness indicators</i> | | | |
| 11. | Size standard the total Profits | $\frac{\text{Total profit}}{\text{Gain}}$ | Reflects a method of calculation of the cost price and ability of a management to reduce an expense |
| 12. | Size standard of the running profit (after expenses for realisation and management) | $\frac{\text{The running profit}}{\text{Gain}}$ | Reflects management efficiency the enterprise as a whole |
| 13. | Size standard of net profit (after payment of % and the tax) | $\frac{\text{Net profit}}{\text{Gain}}$ | Reflects management efficiency extra means |
| 14. | Size standard of the | | Acts as a general estima- |

| № п/п | Economic indicator | The calculation formula | Use area |
|-------|---|---|---|
| | running profit on the invested capital | $\frac{\text{The running profit}}{\text{Cumulative actives}}$ | tion of management efficiency the enterprise in the selected sphere |
| 15. | Size standard of net profit on the invested capital (ROI) | $\frac{\text{Net profit}}{\text{Cumulative actives}}$ | Reflects the basic interest of proprietors in business development |
| 16. | Efficiency Variable expenses | $\frac{\text{Total profit}}{\text{Variable expenses}}$ | Shows, the total profit how much will change at change of variable expenses on 1rbl |
| 17. | Efficiency Constant expenses | $\frac{\text{Total profit}}{\text{Constant expenses}}$ | Illustrates degree of a distance of the organisation from a break-even point |
| 18. | Point Break-evens | $\frac{\text{Gain} + \text{expenses constants}}{\text{Gain} - \text{expenses variables}}$ | Shows, what minimum level of sales it is necessary to reach to cover the costs |
| 19. | Profitability Production | $\frac{\text{Gain} - \text{Expenses}}{\text{Expenses}}$ | Reflects a profit share in 1 rbl. of expensesв |

3. The *analysis of production of the enterprise*: made assortment and ассортиментные groups, structure and dynamics of the cost price of production, its comparison with competing products, dynamics of volumes of output and realisation of the goods or services, profitability of production, the target markets and their dynamics, quality and competitiveness of production and the enterprise in comparison with competitors.

4. The *analysis of marketingo-marketing activity*: an estimation of efficiency of methods of distribution and placing of the goods, systems of stimulation of demand, widths and depths of assortment, rates of increase of sales in a slit of commodity markets, profitability of sales, comparison of dynamics of expenses for advancement and rates of increase of sales, an estimation of advertising activity, its budget and influence on sales, quality of service of buyers, speed of performance of orders, knowledge of requirements of clients, consumers, organizational approaches for maintenance of successful sale and an aftersales service, used systems of positioning of the goods or services, quality and reputation of production, creation and management known togo -
выми marks (брендинг), innovative strategy in the field of pricing, distributions of production, advertising, servicing, working out of new produc-

tion, use Internet and development of electronic commerce in marketing activity.

5. The *production technique analysis*: level of deterioration and updating of fixed capital, indicators of efficiency of fixed capital, use of capacities, the analysis of industrial structure, conformity of technologies to branch or universal standards, possibilities of the organisation of flexible productions taking into account dynamics of demand, structure of a manufacturing costs, КОНТРОЛИНГ costs, a manufacture site, quality of storekeeping and manufacture mapping out, introduction of new production, qualification of the industrial personnel, a guidance system of quality, comparison of the basic industrial indicators with competitors.

6. The *analysis of system of management*: an estimation of operating organizational structure of management on size standards of controllability and efficiency indicators, level of centralisation of the power and necessity for delegation of powers, use of adaptive (organic) structures of management, styles of a management and management methods, their conformity to conditions of the market and to competitors, information guidance systems, mapping out and the supervisory control of administrative activity, efficiency of strategic management.

7. The *personnel analysis*: the basic approaches on human resource management and their difference from competitors, quality and structure of a manpower, their change, turnover of staff, development of leadership and formation of the commands, a favorable microclimate, organizational culture and their advantages, use of programs of improvement of professional skill, personnel training, presence of corporate university.

The structure of the internal analysis should be modified taking into account concrete specificity and directions of industrial-economic specialisation and scales of activity of the enterprise. In the large companies such divisions as advertising departments, research and development, strategic mapping out and others can be separately allocated. In this plan the internal analysis should provide more detailed researches of overall performance of all специализируемых divisions which are capable to affect productivity of the future strategy.

Carrying out of the internal analysis allows the organisation to solve following problems:

To estimate degree of a realizability and efficiency of operating strategy;

To diagnose strengths of the enterprise which it should develop within the limits of the future strategy;

To diagnose weaknesses of the enterprise on which liquidation prime short-term programs of development should be directed;

To define the most perspective spheres of activity on which the future strategy should be based;

To define sufficiency of financial, technological, personnel possibilities of the enterprise for realisation of perspective strategy.

The best indicator of qualitatively developed and competently realised strategy is steady financial and market position of the enterprise, excess среднеотраслевых indicators of economic growth.

Estimation strong (Strengths) and weak (Weaknesses) the parties of the organisation and its external possibilities (Opportunities) and threats (Threats) name the *SWOT-analysis*. *Strengths* of the enterprise are understood as activity sorts in which the enterprise surpasses competitors, or the features, additional competitive advantages providing to it. To strengths carry: skills and the experience, valuable material actives, qualified personnel, the non-material actives competitive to possibility, partnership or joint ventures. *Weaknesses* are an absence or insufficiency of resources for a competition, and also activity sorts in which the enterprise concedes to competitors (tab. 16.3).

Table 16.3

The factors considered in the *SWOT-analysis*

| <i>Potential internal strengths (S):</i> | The <i>potential internal Weaknesses (W):</i> |
|--|---|
| Accurately shown competence | Partial loss of competence |
| Adequate financial sources | Inaccessibility of the finance necessary for change of strategy |
| High art in a competition | Market art below an average |
| Good understanding of consumers | Absence of the analysis of consumers |
| The recognised market leader | The weak participant of the market |
| Accurately formulated strategy | Absence of accurately expressed strategy |
| Economy use on manufacture scales, price advantage | High cost of production in comparison with key competitors |
| Own unique technology | Obsolete technology and the equipment |
| The checked up positive control | Loss of depth and flexibility of management |

| | |
|--|--|
| | |
| Reliable network of distribution | Weak network of distribution |
| High art of research and development | Weak positions in research and development |
| The most effective in branch Advertising, advancement methods | The weak policy of advancement |
| <i>Potential external favorable possibilities (O):</i> | <i>Potential external threats (T):</i> |
| Possibility of service of additional groups of consumers | Loosening of growth of the market, adverse demographic changes |
| Expansion of a range of the possible The goods | Increase in sales of the replacing goods, change of tastes of buyers |
| Goodwill of competitors | Exasperation of a competition |
| Decrease in trading parting layers in an exit on foreign markets | Occurrence of foreign competitors with the goods of low cost |
| Favorable shear in exchange rates | Adverse shear in exchange rates |
| The big availability of resources | Strengthening of requirements of suppliers |
| Loosening of the limiting legislation | Legislative regulation of the price |
| Loosening of instability of business | Sensitivity to instability of external conditions of business |

The *SWOT-analysis* is a complex system of the strategic analysis of the external and internal environment of the firm, providing carrying out of an estimation of actual competitive position and strategic prospects of development of business.

Important stage in the course of the internal analysis is *competitiveness* definition (*competitive force*) *the enterprises* which is carried out by means of a quantitative estimation of key factors of the success, competitive possibilities.

Carrying out of a comparative estimation with competitor firms allows to reveal the basic advantages or lacks of contenders of costs, quality of the goods, consumer value, image and reputation of the enterprise, financial stability, technological possibilities, speed of deducing of the new goods on the market, efficiency of advancement, presence of additional resources.

At the first evaluation stage of competitiveness the list of the most significant factors defining positions of the enterprise in branch (as a rule, 6-10 indicators are used) is made. At the second stage the expert estimation of each indicator of competitive force (on a scale from 1 to 10 points) is made. At the third stage are summed up and the conclusion about competitive advantages or enterprise lacks becomes. Thus calculations can be made by two methods: not weighed and weighed estimations (tab. 16.4, tab. 16.5).

Table 16.4

Example of not weighed estimation of competitiveness of firm

| Key factors of success (Force) | JSC Rechitsadrev | JSC Gomeldrev | JSC Pinskiyev |
|---|---------------------|---------------|---------------|
| Quality and properties of the goods | 3 | 6 | 8 |
| Reputation (image) | 2 | 6 | 9 |
| Manufacture possibilities | 3 | 7 | 9 |
| Use of technologies | 3 | 6 | 8 |
| Dealer network and distribution possibilities | 3 | 6 | 9 |
| Innovative possibilities | 2 | 5 | 7 |
| Financial resources | 2 | 5 | 8 |
| Costs in comparison with Competitors | 4 | 6 | 7 |
| Servicing | 3 | 6 | 8 |
| The <i>total not weighed estimation</i> | 25 | 53 | 73 |

Table 16.5

Example of the weighed estimation of competitiveness of firm

| Key factors of success (Force) | Weight | JSC Mozyrdrev | JSC Rechitsadrev | JSC Gomeldrev | JSC Pinskiyev |
|-------------------------------------|--------|------------------|---------------------|------------------|------------------|
| Quality and properties of the goods | 0,1 | 4/0,4 | 3/0,3 | 6/0,6 | 8/0,8 |

| | | | | | |
|---|------|--------|--------|--------|--------|
| goods | | | | | |
| Reputation (image) | 0,1 | 3/0,3 | 2/0,2 | 6/0,6 | 9/0,9 |
| Manufacture possibilities | 0,1 | 4/0,4 | 3/0,3 | 7/0,7 | 9/0,9 |
| Use of technologies | 0,05 | 3/0,15 | 3/0,15 | 6/0,3 | 8/0,4 |
| Dealer network and distribution possibilities | 0,05 | 4/0,2 | 3/0,15 | 6/0,3 | 9/0,45 |
| Innovative possibilities | 0,05 | 3/0,15 | 2/0,1 | 5/0,25 | 7/0,35 |
| Financial resources | 0,1 | 3/0,3 | 2/0,2 | 5/0,5 | 8/0,8 |
| Costs in comparison with Competitors | 0,3 | 5/1,5 | 4/1,2 | 6/1,8 | 7/2,1 |
| Servicing | 0,15 | 4/0,6 | 3/0,45 | 6/0,9 | 8/1,2 |
| The <i>total weighed estimation</i> | 1,0 | 4,0 | 3,05 | 5,95 | 6,9 |

The method of not weighed estimations assumes that all indicators are equally significant. In a certain situation it can deform real results. The system of the weighed values provides higher level of objectivity as considers the importance of various indicators of competitive force. High relative indicators of competitiveness of the enterprise speak about prospects of improvement of its market positions in long-term prospect. The knowledge weak and strengths of the organisation is necessary for development of the future strategy. Successful strategy assumes transformation of strong market positions of the enterprise into competitive advantage, including at the expense of weaknesses of other enterprises-competitors.

16.5. A choice of perspective strategy of development of the enterprise

On the basis of the formulated mission of the enterprise, and also the spent internal and external researches various variants possible alternative are developed by development strategy. The data set alternative strategy forms *strategic alternatives* of activity of the enterprise in the future. Each of alternative strategy, first of all, should start with predicted long-term tendencies of development of an external environment and to answer resource and competitive possibilities of the enterprise. Thus, *alternative strategy* represent the concrete multiple programs of the actions providing alternative ways or the scenarios of achievement of formulated mission.

The formulation of alternative strategy solves following primary goals:

- 1) Definition of perspective directions of development of the given enterprise;

- 2) Formation of the future competitive position in the market;
- 3) Estimation of alternative ways of realisation of strategic targets and search of optimum decisions;
- 4) Definition of concrete strategic models of behaviour of the enterprise in the market;
- 5) Strategic alternatives make base for realisation of a definitive strategic choice of a field of activity and development directions.

Strategic choice - an estimation of developed alternative strategy from the point of view of efficiency and feasibility, and a choice of that model of strategy which is characterised by optimum indicators for the enterprise.

The strategic choice is made on the basis of a qualitative and quantitative estimation of strategy. *Strategy quality standard* includes the analysis of following basic positions:

Conformity of strategy to a profile of activity of firm. At realisation of a strategic choice experts or heads mainly are guided by profile strategy, eliminating those alternative variants which are beyond a field of activity and компетенций the enterprise.

Feasibility of strategy and an acceptability for the personnel. At an estimation of an acceptability and feasibility of strategy those strategy for which realisation the enterprise has no sufficient technological base or necessary financial resources, qualified personnel, presence of experience in a new field of activity etc. can be ignored

Observance of ethical standards and rules. Use of the given principle means refusal even from «высокоприбыльных» strategy which do not correspond to the standard ethical standards and rules (trade with the countries where human rights, sale of drugs, unfair competition strategy, etc. are broken). It allows the organisation to strengthen the reputation and to adjust effective communications with the public environment.

The *quantitative analysis of strategy* provides carrying out of a complex estimation of such economic indicators as planned growth of sales volumes, market shares, level of industrial, administrative, marketing costs, profitability of production and the enterprise at realisation of this or that alternative strategy, volumes of investments, times of recovery of outlay of investment nestings, influence on efficiency of primary activity, indicators of financial stability, quantity of new products, level of integration of the enterprise, expansion of client base, the analysis of growth of a share price of the enterprise etc. the Basic quantity indicators of an estimation of strategy are formed depending on specificity of the put strategic problems and the enterprise purposes.

On the basis of the quantitative and qualitative analysis the definitive choice of perspective strategy of the development providing strengthening of competitive positions of the enterprise and use of market possibilities, and also possessing the best economic indicators is made.

In large vertically integrated or диверсифицированных the strategy companies are formed at four organizational levels:

1. *Corporate strategy* is a general strategy of the organisation, the complex administrative plan of activity for all entering into structure диверсифицированной the companies бизнесов (enterprises). For example, Joint-Stock Company "Пинскдрев" has in the structure of 14 factories and mills, 7 representations, 12 firm shops. Corporate strategy is created at level of the general director and defines the general perspective purposes of development of joint-stock company and its enterprises. Corporate strategy includes following basic elements: mapping out of the further diversification (acquisition of others existing or creation of the new enterprises), increase of general productivity entering бизнесов (enterprises), increase of competitiveness of the company at the expense of development related бизнесов (use синергического effect), an establishment of investment priorities and a direction of corporate resources in the most perspective enterprises.

2. *Strategy of business* (business strategy) is an administrative plan of activity for prospect of one sort of the activity (enterprise) entering into structure of joint-stock company. For example, for Joint-Stock Company "Пинскдрев" are strategy of furniture factories, a match and plywood mill, леспромхоза, a sawing mill etc. the Central element of strategy of business is formation of stronger and long-term competitive position of the enterprise in the market. For this purpose strategy is based on following elements: definition of reciprocal actions on changes in branch, economy in whole, the legislation, in political arena and in other spheres influencing activity of the enterprise; working out of market approaches and actions on competitiveness strengthening; the decision of the concrete strategic problems facing the enterprise. To most often used competitive approaches carry: Aspiration to become the manufacturer with the lowest costs, differentiation of production on the basis of quality, wide assortment or the best service of consumers, work on a narrow segment of the market and better satisfaction of special inquiries of buyers of the selected target market.

3. *Functional strategy* is an administrative plan of activity of concrete division of the enterprise or key functional area of business. Functional strategy are subdivided according to specialisation of organizational structure of the enterprise: marketing, financial, industrial, research and de-

velopment strategy, human resource management strategy, etc. the Enterprise should form so much functional strategy, how many and the basic functional services. Responsibility for working out of the given strategy lies on heads of departments who together with employees should develop approaches and actions directed on support of general strategy of business (enterprise) and its competitive position.

4. *Operative strategy* concerns narrower strategic initiatives and approaches at management of producing units (shops, trading lots, distribution centres) and at the decision of the daily operative problems having strategic value (acquisition of materials, storekeeping, maintenance service, deliveries, advertising campaigns). Heads of the bottom level are a part of a command of the organisation which are carrying out formation and realisation of strategy, and play an important supporting role. For example, without participation of workers and heads of industrial shops it is impossible to realise aspiration of the organisation to become the leader in costs, to adjust an effective guidance system of quality.

Association of the purposes and strategy from the higher to the lowest management levels cannot result from uncontrolled process at which heads at each level possess an autonomy in the field of an establishment of the purposes and strategy formation. In this plan the management should keep certain centralisation of administrative decisions which is realised through system of strategic mapping out. The *strategic plan of the company* is synthesis of the strategy developed at various levels of organizational hierarchy. Formation of strategic problems, as a rule, occurs from top to down and proceeds until separate levels of strategy will not be consolidated in logically consecutive, well-founded system. It is realised by means of drawing up of strategic programs.

Strategic programs represent concrete tasks for the separate functional and industrial divisions responsible for realisation of strategy. The *strategic program* is the formal document defining both short-term, and long-term parametres of activity of separate divisions of the enterprise and them *взаимоувязку* with general strategic targets (corporate strategy), calculation of the budget of planished actions. Besides, strategic programs reflect concrete terms and sequence of realisation of the strategic and functional purposes of the enterprise.

For example, the strategic program can cover such most important fields of activity of the organisation, as:

- 1) RESEARCH AND DEVELOPMENT;
- 2) Manufacture development;
- 3) Production sale;

- 4) Financially - technical supply and a warehouse economy;
- 5) Administration managerial control.

Actually within the limits of the organizational gear of realisation of strategy on all functional spheres of activity of the enterprise concrete functional strategy which correspond are developed or support general corporate strategy of development. Strategic programs provide сбалансирование strategic targets on three basic subsystems of management: formation and adaptation of organizational structure of the enterprise, creation of effective information system of support of strategy, human resource management improvement of quality.

16.6. System and levels of the strategic supervisory control

The gear of successful realisation of strategy is defined by system effectiveness of the strategic supervisory control, allowing to lower the enterprise risks connected with unforeseen external and internal circumstances. At a stage of mapping out of strategy it is impossible to provide all possible variants of changes which can occur in the future and affect business development. Thus changes can bear both additional possibilities, and threats for strategy realisation and if beforehand them not to trace the enterprise can miss the chances of employment more advantage-grounds in the market or in general come to bankruptcy in case of situation deterioration to branches. Therefore, the sustainable development of business and achievement of strategic problems is in many respects connected with that, how much well management will organise the operative monitoring system of intermediate results.

In traditional understanding the *strategic supervisory control* is a process by means of which the management commensurates the reached results of activity of the enterprise at various stages of realisation of strategy with mapped out indicators.

The modern system of the strategic supervisory control has three-level structure (fig. 2.4):

- 1) The *strategic supervisory control of preconditions (purposes)* represents process of an estimation of degree of an urgency of strategic targets, their feasibility from the point of view of internal and external possibilities, sufficiency of own resources of the organisation. At a stage of the strategic analysis diagnostics of resource restrictions of the enterprise on which basis the strategic choice of attainable aims is carried out is made, there is a mission specification;

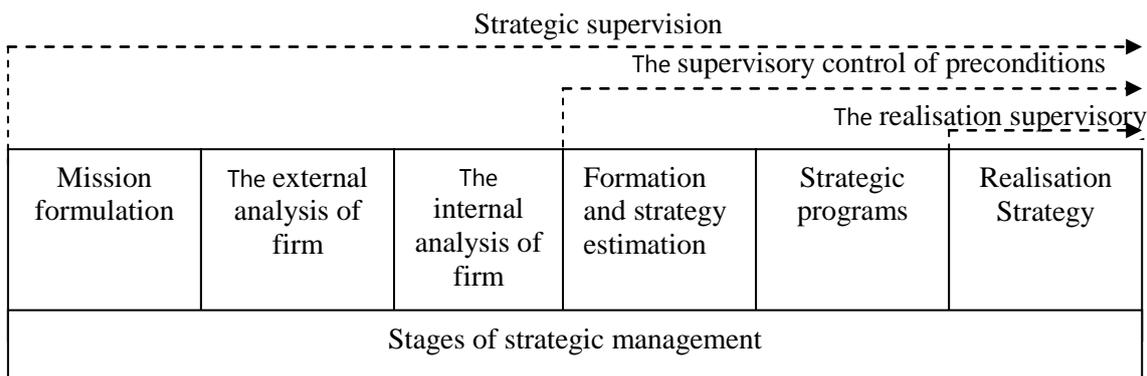


Fig. 16.4. Levels of the strategic supervisory control in the organization

2) The *strategic supervisory control of realisation* consists in the analysis during the certain periods of time of degree of realisation of strategic problems for preliminary revealing of the factors, making positive or negative impact on possibility of realisation planned before strategy. The given sort of the supervisory control means carrying out of constant running monitoring of changes quantitative and strategy quality indicators: observance of the normative of profitability of production, rates of increase of sales, level of costs, quantities of marriage, claims from clients, market shares, etc. In essence at the supervisory control of realisation of strategy is mainly analyzed the internal information on enterprise achievements, change of its competitive positions;

3) *Strategic supervision* is a constant system of analytical researches of the market, covering all stages of strategic process and allowing beforehand to reveal adverse tendencies for the enterprise in change of competitive relations in branch, economic and political conditions. In the course of strategic supervision it is carried out пофакторный the analysis of dynamics of environment, and the first signals about approach of the crisis situation, capable to make negative impact on efficiency of realisation of strategy of the enterprise are caught. Therefore, strategic supervision is original system of supervision of crises.

As a whole, development of a crisis situation at the enterprise can occur in three basic stages: *strategic crisis, result crisis, liquidity crisis*.

At a stage of *strategic crisis* as warning signals changes in a competition (occurrence of the enterprises-beginners, an exit on the market of the large foreign manufacturer, reduction of prices in branches, introduction of institute of the state exporters, etc.), technological changes (introduction by competitors of new technologies in manufacture and management, elec-

tronic commerce and Internet-sales, transition to alternative power supplies, etc.), internal changes (growth of costs, quality decrease, falling of sales, etc.) act. Overcoming of the given crisis processes probably at the expense of strategy репозиционирования in a competition (manufacture of the new goods, an exit on the new markets, etc.).

Warning signals of *crisis of result* is reduction of a share of the market, turn decrease, falling of the income and as result недозагрузка capacities. All it will put the further pressure upon industrial costs and, in case of inefficient measures, can lead to a crisis aggravation, i.e. its transition in the following stage - *liquidity crisis*. Deterioration of indicators of financial stability, growth of debts and excess of debts over actives will be signs of crisis of liquidity that finally can lead to bankruptcy of the enterprise if corresponding measures are not taken. At a stage of crisis of result strategic programs should be focused on decrease in expenses and maintenance of growth of sales (turn), and at a stage of crisis of liquidity - prime measures on liquidation of debts and improvement of financial indicators of activity of the enterprise.

The strategic supervisory control as the main element of the gear of realisation of strategy, should be carried out constantly and continuously. The system of telltale indicators of activity of the enterprise and quality of the branch environment is formed proceeding from the purposes and the maintenance of realised strategy. Researchers should allocate accurately the basic criteria of an estimation of results and gathering of the necessary information for realisation of the strategic supervisory control. As a rule, efficiency of these processes raises when the given activity is fixed to the concrete employee responsible for its organisation. In the modern large organisations this work is carried out by experts-analysts who at the big scales of activity of the enterprise are consolidated in special analytical departments. In small firms this work should be fixed to corresponding functional experts.

17. DEVELOPMENT OF SCHOOLS OF STRATEGIC MANAGEMENT

17.1. Design school (designing, modelling)

The design school (designing, modelling) considers process of working out of strategy as *process of judgement of strategic directions of development of the organisation*. The design school expresses the most influential and representative point of view on process of a formulation of strategy, and its key ideas underlie many base courses on strategic management. The given school has put model of the SWOT-analysis which provides the analysis strong (Strengths) and weak (Weaknesses) the parties of the enterprise from the point of view of possibilities (Opportunities) and threats (Threats) environment in organizational process of working out of strategy.

Sources of school of modelling go back to works of Filipa Selznika («the Management in administration», 1957), Alfreda Chandler («Strategy and structure», 1962) and Kenneth Andrews («the Politician of business», 1965).

In general, the design school offers model of construction of strategy as attempts achievement of conformity of internal and external possibilities of the organisation (fig. 3.1). From here and the school motto - «a conformity Establishment».

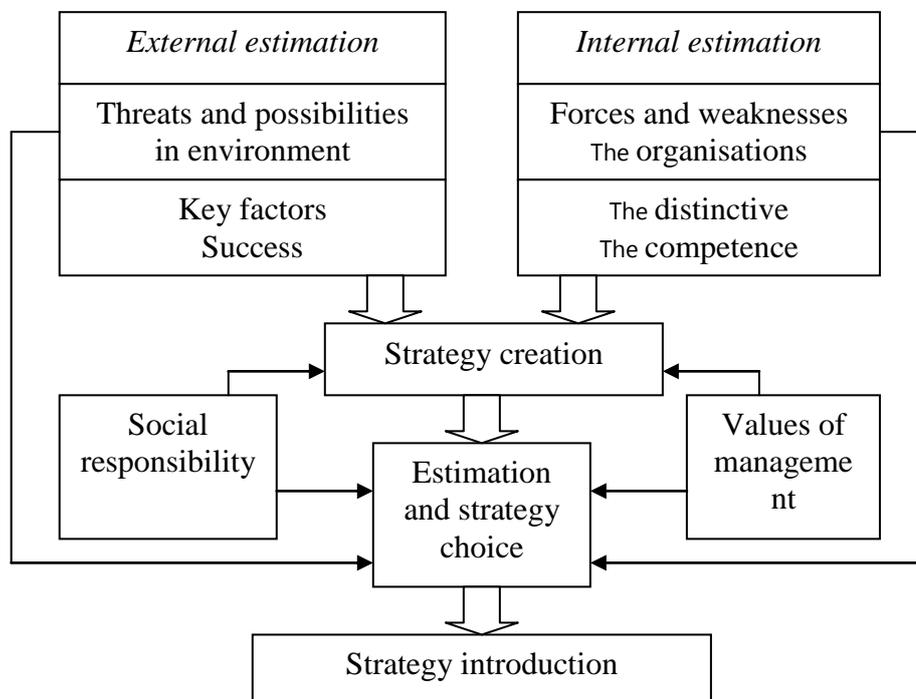


Fig. 17.1. The basic model of design school

School substantive provisions include following principles:

1. *Strategy formation is the thought over process of conscious thinking (the thought over strategy)*. Effective strategy are created during intense and rigidly controllable thought process. Strategy construction - not congenital, but the ability got with experience or intuitive ability it is necessary for them to be trained.

2. *Responsibility for strategic process lays down on the director who is the main strategist of the organisation*. Finally, the design school recognises the unique strategist as whom the head acts settling down on vertex of an organizational pyramid. Such statement of a question not only assumes that all other members of the organisation play only subordinated roles in strategy working out, but also does not suppose participation in process of people from the party (except for councillors of the directors, obliged to estimate the offered strategy).

3. *The model of construction of strategy should be enough simple and informal* (collective discussion at meetings, meetings). Strategy should be clear for the one who creates it and if it in general is possible, accurately formulated that other members of the organisation could understand it.

4. *Strategy should be unique: the best, received as a result of individual modelling*. Strategy working out is based not on general variables for all cases, and on requirements of a concrete situation. As consequence, the design school practically does not mention the strategy maintenance, the attention of its adherents concentrates on process of working out which should be, first of all, «the creative certificate», based on distinctive компетенциях the organisations. Strategy is developed as a result of individual research internal and environment and corresponds to enterprise possibilities.

5. *Process of modelling of strategy is considered finished when strategy is formulated as prospect*. Presence of an all-in-one picture - general strategy, the basic concept of business dealing is supposed. Strategy appears as prospect, by the certain moment of time completely generated and ready «to the use».

6. *Process of realisation of strategy is carried out, when strategy is definitively formulated and is unique* (it is focused on strengthening of strengths of the enterprise). The design school accurately differentiates a formulation of strategy and its realisation. Its representatives separate process of thinking from actions in full conformity with classical representations about rationality (an estimation, the instruction following it, and then action). The

central point of such parting is the assumption that the *structure should flow out from strategy logically*.

According to developed model of school of design at a strategy substantiation the *factors of success of the organisation* formulated in the course of the external analysis (low level of the competition, steady growth of demand, loosening of state regulation of economy, etc.) both *internal strong and the weaknesses competitive to possibility* (low costs, wide assortment, a high share of the market, etc.), and also *values of management and social responsibility* are considered. Values of management define system of technologies of management used by a management (centralisation or management decentralisation, authoritative or democratic styles of a management, etc.) Which influence formation of an organizational control gear by strategy. Social responsibility defines participation of the organisation in realisation of programs of social development of region in which it works. It improves organizational communications with the public environment and local authorities, improves reputation of the enterprise in the name of its clients or consumers, providing preconditions for steady growth.

The organizational gear of working out of strategy from positions of school of design is informal process. It means that the judgement of the future strategy of development of the enterprise is carried out at meetings, meetings of the administrative personnel. The management originally gives tasks to various functional and industrial services to carry out the analysis of the external and internal environment and to present the general conclusions and conclusions to the top management which finally develops long-term strategy on the basis of discussed on the next meetings strong and weaknesses of the enterprise. Thus concrete strategic decisions are not made out documentary that does strategy flexible in relation to changes of an external environment of the organisation.

Lacks of school of design:

1) *At an estimation strong and weaknesses the running position of the enterprise and in certain degree is considered there is a neglect training process*. For example, many organisations at initial stages of development operate with a trial and error method. Eventually they have an experience on which basis alternative strategy are formulated. Thus, the given approach in a greater degree can be used in the organisations which function in the market long enough time. The given approach for the new organisations is less effective;

2) *According to school positions at strategy change the structure of management of the organisation should be changed*. In reality the structure

is formed long enough time and not always its change can provide the further sustainable development of the organisation. The organisation structure in certain situations can be steadier, rather than strategy;

3) *Exact definition of strategy reduces flexibility of the organisation.* Exact strategy limit a field of vision, specifying exclusively in a mainstream, and can prevent to carry out strategic changes (when there is such necessity). In other words, strategy will be actual only some period of time depending on market changes;

4) *The partitioning off of process of a formulation of strategy from realisation, a separation of thinking from actions,* i.e. according to principles of the given school, formulates strategy the top management, realises - an average, local link. At such approach it is used the centralised management methods and the strategic principle of joint activity of the personnel is ignored.

17.2. Mapping out school

The mapping out school considers strategy construction as *formal process*. The period of occurrence of school of mapping out actually coincides with date of "birth" of design school. The greatest influence on development of ideas of school of strategic mapping out Igor Ansoffa's works («Corporate strategy», 1965) have rendered, George Shtejnera («Mapping out for the top management», 1969) and Peter Loranzha («the Review of empirically well-founded researches of long-term formal processes of mapping out by working out of corporate strategy», 1979).

Within the limits of the given school the concept of strategic mapping out of development of the organisation which includes following basic stages for the first time is developed:

1) *Stage of statement of problems.* At the first stage there is an identification of the major alternative strategy, the basic variants of development corresponding to possibilities of the enterprise are formulated; it is defined, in what direction the firm in whole and its divisions should move;

2) *The stage of external audit* consists in the analysis of environment and drawing up of qualitative forecasts about its future condition. Adherents of school of mapping out give to similar forecasts great attention as in case of impossibility of the supervisory control over Wednesday forecasting - hence is impossible also, mapping out becomes senseless. The motto of school of mapping out from here flows out - "to Expect and prepare" for forthcoming changes;

3) The *stage of internal audit* consists in mapping out of a condition and development of the internal environment of the organisation; a formal estimation strong and weaknesses of the enterprise, its financial potential for realisation of new strategic targets;

4) The *stage of an estimation of strategy* consists in carrying out of the financial analysis of the formulated strategy, includes calculation of profitableness of investments, an estimation of competitive strategy, the analysis of risks, a cost curved line etc.;

5) The *stage операционализації strategy* represents strategy detailed elaboration on terms and involves installation of variety of hierarchies of mapping out:

Long-term strategic plans (5 years);

Intermediate term (2-3 years);

Short-term (annual) operational plans.

In parallel hierarchy of mapping out the hierarchy of problems, budgets, подстратегий- corporate, functional (formation of marketing, industrial, financial, administrative and personnel strategy) is formed;

6) *Process programming as a whole* is a drawing up of strategic programs of realisation of strategy, *взаимоувязывающих* activity of all functional and industrial divisions, financial sources in the uniform gear of realisation of strategy.

Thus, difference of school of strategic mapping out from the design approach consists in formalisation of strategic process, i.e. necessity of drawing up of the certain document - the strategic plan. Besides, the school of strategic mapping out has brought in organizational model such new elements as *операционализація and strategy programming*. In essence given school adds the concrete gear of its realisation to model of design, strategy modelling.

The modern system of strategic mapping out includes the following sorts of plans used by the organisations (fig. 3.2.).

The subsequent achievements of school of strategic mapping out are:

System of scenary (multiple) mapping out of strategy - formation of several variants of strategy according to made forecasts of development of the market (optimistic and pessimistic);

System engineering of the strategic supervisory control including such stages as strategic mapping out, the financial supervisory control (divisions), the strategic supervisory control (division - a management).

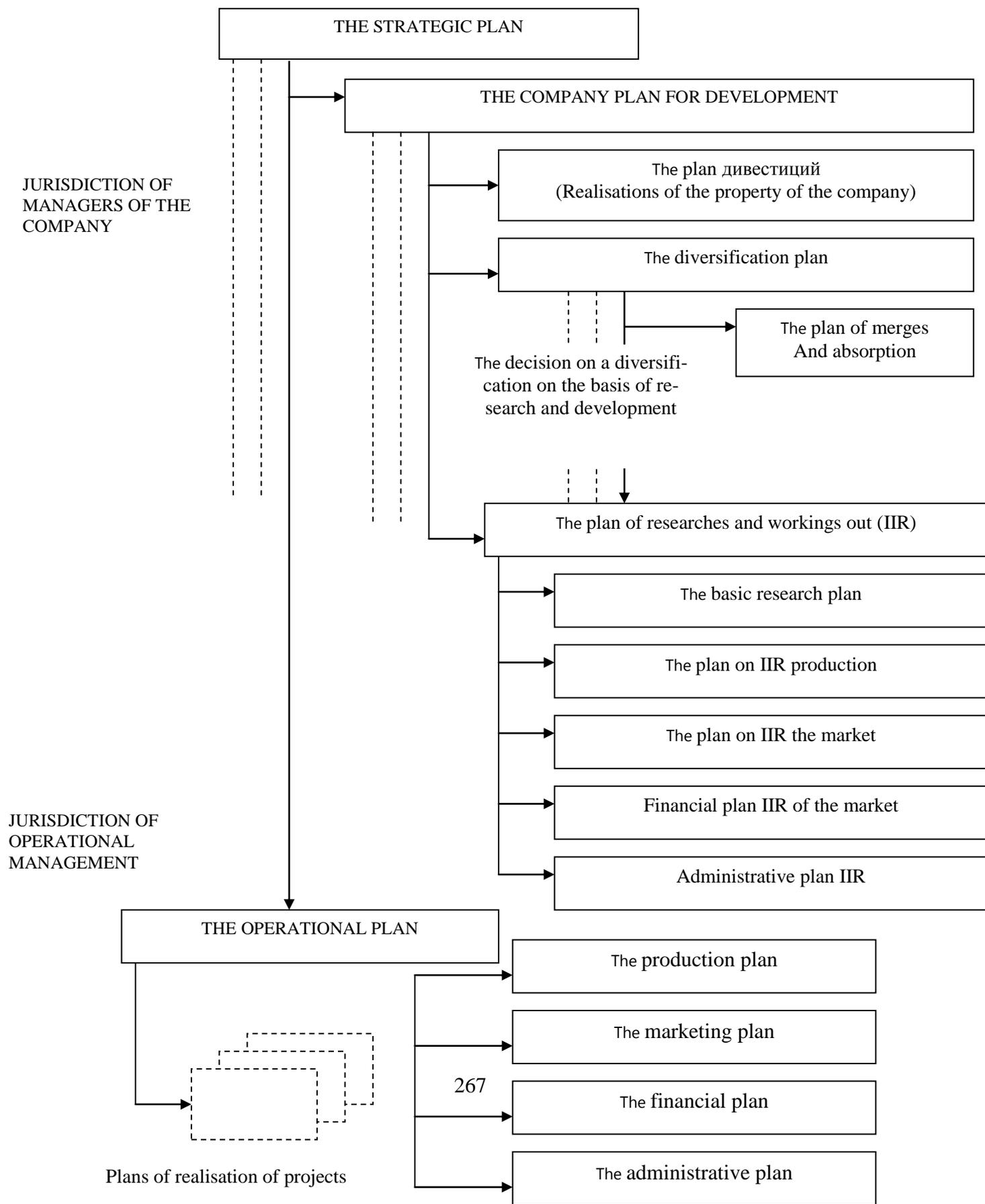


Fig. 17.2. «System of plans» Stenfordsky research
Institute

Lacks of school of strategic mapping out:

1) The *predetermination error* - working out of qualitative strategy is possible only under condition of a prediction of changes of the certain environment (drawing up of the qualitative forecast). However in reality long-term forecasts often appear unreliable;

2) *Parting error*. Gathering and preparation of an analytical material for strategy working out is carried out by planners, the management on the basis of analysis given results formulates the future strategy. As a result the management is dependent in certain degree on planners.

Developed strategy can be inefficient owing to that the management makes a strategic choice on the basis of the general information, without penetrating into component parts. Besides, the information can be incomplete, not timely, unreliable;

3) *Formalisation error*. Strategic mapping out is considered by school not as the help in the course of creation of strategy, and as development of strategy and a certain replacement of intuition, the creative beginning. Rigid rules and procedures, a conventional attitude to strategic process are reduced by efficiency of innovative activity of the personnel of the organisation, reducing its competitive potential. In reality the system of strategic mapping out is process of realisation of strategy, instead of its working out.

17.3. Positioning school

The positioning school considers strategy construction as *analytical process*. Representatives of the given direction recognise many starting positions of schools of mapping out and design, adding from its part two important positions. First, a recognition of importance of strategy in itself, and not just process of their formation. Secondly, the positioning school focus-

es the attention to the maintenance of strategy, predetermining system of strategic management.

Basic ideas of school of positioning are stated in M.Portera's work («Competitive strategy», 1980), and also in researches of the Boston consulting group (БКГ).

School starting positions consist in the following:

- 1) Process of formation of strategy is the choice of a concrete strategic position made on the basis of analytical calculations;
- 2) Dominant role in strategic process the analysts giving the calculations to managers, responsible for working out of perspective strategy play;
- 3) According to the approach the strategy formulation as positions means that managers should prove the key (general) strategy focusing the enterprise in the future on achievement of higher level of competitiveness in the market.

Key (general) strategy are understood as strategy which are directed on employment more advantage-grounds in the market and maintenance of protection against attacks of the present and future competitors. The given strategy also name *positioning strategy*, i.e. changes or strengthenings of competitive position of the enterprise in the market. According to positions of school of positioning for each of branches there is a restrained number of general or key strategy as, for example, derivation of the goods and concentration on a certain range of enterprise activity.

The first wave of development of school of positioning is based on use of military men «максим» at construction of strategy. The basic examples strategic максим:

Having realised strategy, it is not necessary to repeat tactics. It is necessary to react to changing circumstances uncountable quantity of ways;

Advantages that contender (competitor) who does the first course (a rule of the first course) possesses;

Balance of the opponent should be broken not in a course, and before resolute approach;

condition of effective realisation of strategy is careful calculation. Insufficient calculations guide to low efficiency of strategy, absence of calculations - the least chances of a victory.

The second wave of development of school of positioning concerns activity of advisers and is connected with a formulation of the certain bases (parametres, conditions) concerning the maintenance of strategy of positioning. Basic changes concerning strategy are connected with activity of

the Boston consulting group and its offered employees negative mould concepts «growth - a market share» and an experience curved line.

The *negative mould* «growth - a market share» is a system part портфельного mapping out, i.e. research of distribution of funds according to requirements of various directions of business in диверсифицированной the companies.

The strategy maintenance consists in definition of a perspective portfolio of the goods providing long-term stability of development of the enterprise in the market. A condition of prosperity of the company - presence at it a portfolio of the goods characterised by various rates of increase of sales volumes and various shares of the market.

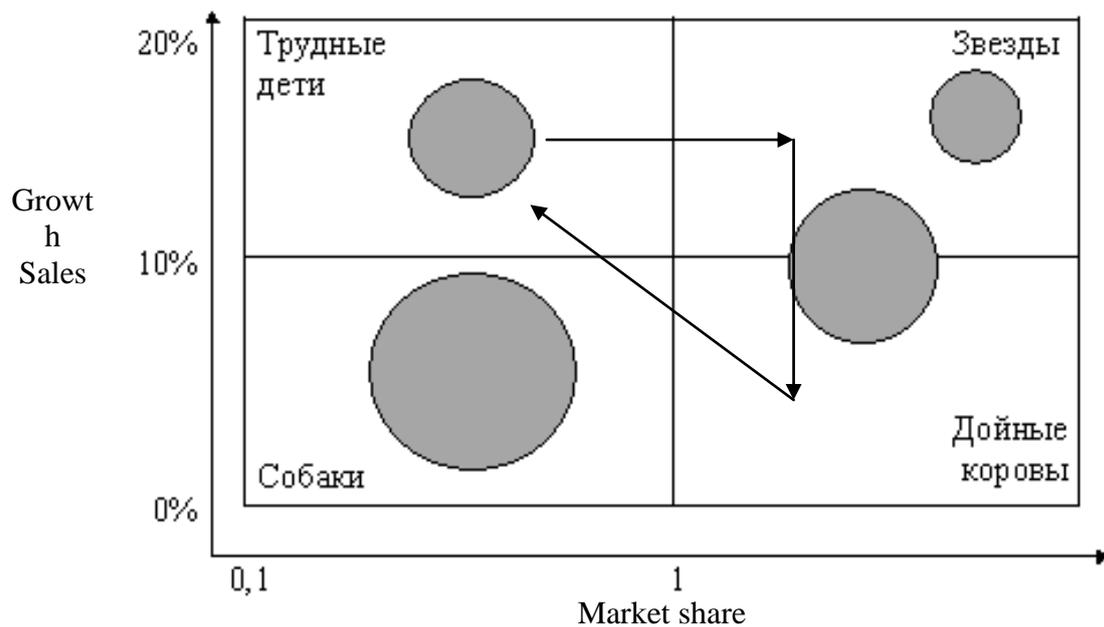


Fig. 17.3. Representation of model БКГ for the analysis of the strategic Possibilities

The goods with a high share of the market in slowly growing markets is «*monetary milk cows*» who bring great volume of the money resources exceeding their shares necessary for maintenance of the market реинвестиции.

The goods with a low share of the market in slowly growing markets are "dogs" who make certain profit, but it completely should реинвестироваться in maintenance of their share in the market. The most expedient de-

cision - refusal of manufacture of such goods as it is on peak of recession of a curved line of life cycle.

The goods with a low share of the market and high rates of increase concern «*difficult children*», demanding there are more means, than they in a condition independently to generate. These are new, while little-known, but perspective enough goods. In the absence of additional investments they «lag behind in development» and "die". «Difficult children» demand the big monetary investments for purchase of a share of the market, stimulation of growth of sales. The goods with a low share of the market in quickly growing market are a burden until it does not become the leader.

The goods with a high share of the market in the fast-growing market are included into a category of "stars" and, as a rule, make desirable profit. If the goods remains the leader the company can expect huge inflow of money while market growth will be slowed down, and the requirement in реинвестициях will be reduced. Dying away "star" gradually "regenerates" in «a monetary milk cow», providing great volumes of sales, high profit, stability and safety, surplus of money resources which can be invested in development of other sorts of business.

Only диверсифицированная the company with the balanced portfolio can use the forces for correct capitalisation and increasing competitive possibilities.

Organizational strategy of management by a portfolio means switch connection in its structure of following groups of the goods:

- 1) The goods - "the stars" providing development of manufacture on a profitable basis;
- 2) The goods - «monetary milk cows», the monetary resources providing surpluses used on other purposes of development of the organisation (including on financing of "difficult children»);
- 3) The goods - «difficult children», at presence at the enterprise of sufficient resources for financing of their development and transition in a category of "stars".

Are used портфельные strategy in large диверсифицированных firms in which there is a set of groups of products which can be distributed on certain categories. In the given groups of the goods there is constant dynamics and transition of the goods from one group in another («difficult children» - "stars" - «monetary streams» - "dogs"). It allows the organisation to create conditions for constant updating of a portfolio of the goods and maintenance of long-term financial profit.

Operating experience or curved line of experience БКГ. Occurrence as categories is dated «an experience curved line» 1936 Researchers have

come to a conclusion that at doubling of a total volume of exhaust of the certain goods costs of its manufacture decrease for certain percent, usually from 10 % to 30 % (fig. 3.4). In other words, firms study on a private experience - with constant factor of growth.

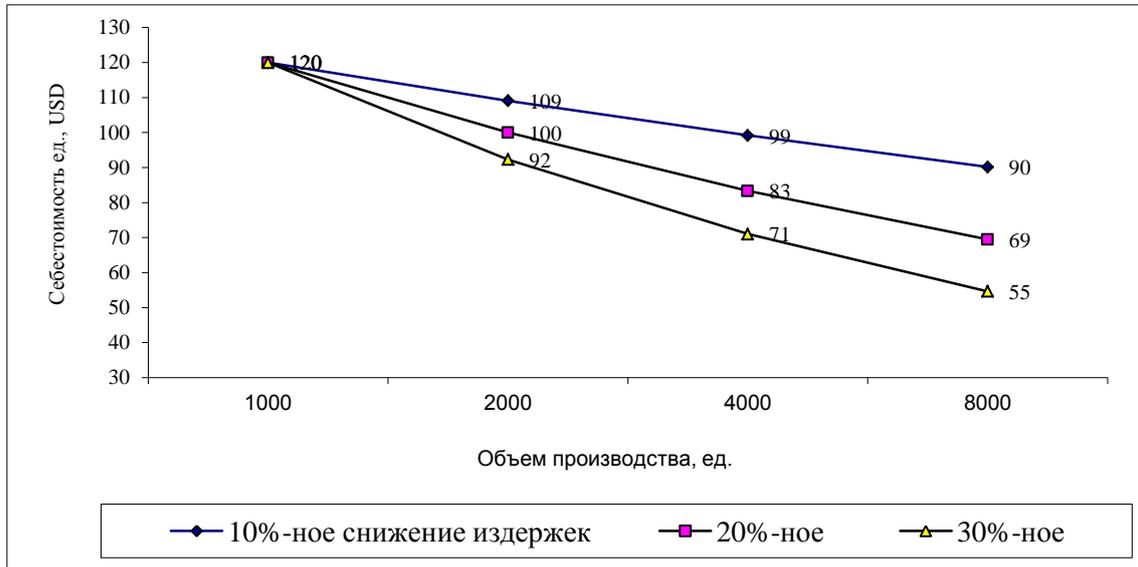


Fig. 17.4. An experience or operation curved line

According to conclusions БКГ, with other things being equal the firms, the first broken on the market, have possibility quickly to increase volume of output and sales, and to lower, thus, industrial costs. It allows them to use strategy of leadership on the basis of costs and to create certain parting layers to an entrance point of new subjects on the market.

Strategy according to an experience curved line should be directed on certain grasp of the market, increase in a share and, accordingly, reception of effect of decrease in costs at the expense of scale of activity of the enterprise.

The third wave of development of school of positioning concerns the middle of 70th and is based on carrying out of empirical researches of interrelations between external conditions and internal strategy of the companies.

Basis of researches the *model of the competitive analysis of M.Portera* (represents fig. 3.5). The given model describes the basic threats from the market, their possible influence on the maintenance of strategy of the organisation:

- 1) *Threat from beginners of the market.* In model it is provided that the market (branch) represents certain club

participation in which is defined by corresponding conditions (parting layers of an entrance point/exit from branch). As parting layers there can be reached according to a curved line of experience an economy at large manufacturers (sellers), volume of nestings at the organisation of new manufacture, the current legislation etc. In the presence of high hurdles is formed original club with a friendly competition. In the absence of parting layers highly competitive group is formed, each of which participants has no possibility to make appreciable impact on a situation in branch (in the market). In this case at a friendly competition joint co-operative strategy are used, for example. In the presence of highly competitive group the offensive strategy directed on increase of the benefit for the account of weaker competitors are used;

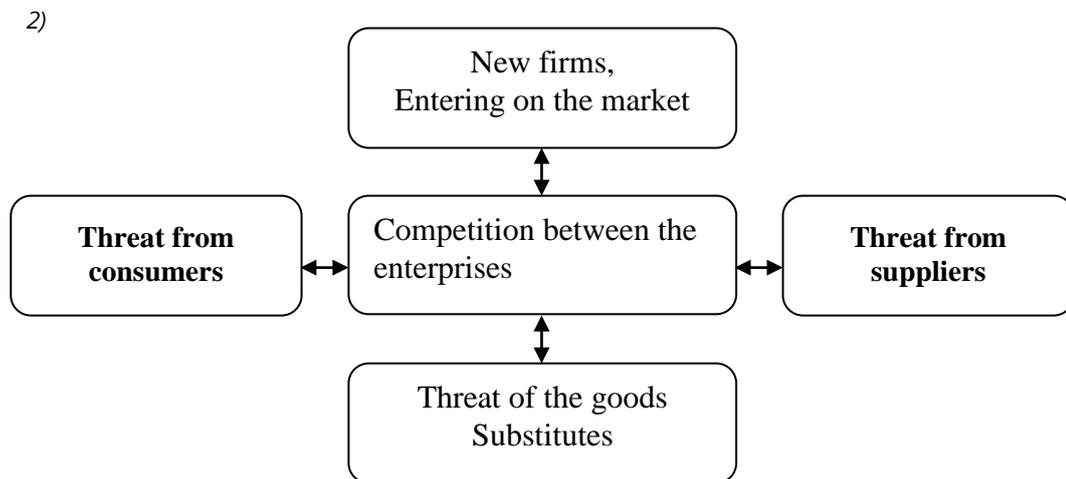


Fig. 17.5. Model of the competitive analysis of M.Portera

2) *The market power of suppliers of firm.* As suppliers aspire to receive the highest prices for the goods, between firms and their suppliers the intense competition usually develops. Advantage that party which has more possibilities of a choice (firm possesses sells production to a great number of buyers or makes the unique goods). In this case the market power of the supplier is defined depending on its manufacture, volumes of output of other suppliers, a price level, quality of service etc. the Given characteristics influence possibilities of an alternative choice of the enterprise-client. The conclusion of exclusive agreements with suppliers, formation of

long-term contracts, adjustment of good relations with the best suppliers in branch etc. can be the basic gears of regulation of relations;

3) *Market force of clients*. Ability of clients to influence the supplier depends on volume of purchases, knowledge of the prices, quality of the goods, the maintenance of service, etc.;

4) *Threat from the goods of substitutes*. Competition level depends in many respects on in what measure the goods of one branch can be replaced by alternative production. Innovations in one branch can lead to negative consequences for industry allied industries;

5) *intensity of a competition in branch*. In search of most advantage-ground of the enterprise constantly maneuver, use offensive approaches against each other, or come to necessity of coexistence, can form strategic alliances. As a whole it can create conditions for branch development at primary use of co-operating strategy or to lead to recession if the companies mainly use corrosive strategy of grasp of the market.

Under the influence of these forces of the enterprise select various sorts of strategy of positioning:

1. *Strategy of leadership on the basis of costs* consists in aspiration of the organisation to achievement of the minimum manufacturing costs in branch.

2. *Derivation strategy* assumes output of the unique quality, distinct from standard production of other competitors in branch.

3. *Focusing strategy* - concentration of attention of the enterprise on certain narrow segments of the market (certain groups of clients, the goods or regions).

The lack of the approach of school of positioning consists that it directs the organisations to strategic specialisation and offers restrained variants of strategy that can narrow frameworks of possible growth and organisation development. In reality strategic approaches should be diverse and unique, include elements of strategic dodges in relation to competitor firms.

17.4. Business school

The business school considers construction of strategy as *prediction process*. The given school describes strategy working out through a prism of actions of one person, the head of the organisation, but unlike design school, underlines value of conditions peculiar only to it and processes - intuitions, common sense, wisdom, experience, an insight. On it the understanding of strategy as prospects, ассоциируемой with idea and an intui-

tive choice of a direction of the development, called *vision* is under construction.

According to the central concept of school of business *vision*, i.e. the visualisation of strategy born or displayed in consciousness of the head of the organisation is.

Representatives of school of business mainly investigate behaviour of the businessman as the strong leader, the head of the organisation. The basic positions of school are put in O.Kollins and D.Mur's works («Founders of the organisation», 1970), B.Berda («Business and mapping out», 1994), G.Mintsberga («Strategic thinking as“ sight ”», 1991), and also in P.Drukera, D.Maklelenda, J.Shumpetera's works.

G.Mintsberg allocates the following features characterising the enterprise approach to creation of strategy:

businessman places emphasis not so much on strategy construction, how many on active search of new possibilities of development;

In the enterprise organisations the power is concentrated in hands of its head-leader (businessman);

Strategy creation in enterprise style is characterised by resolute movement to the purpose contrary to uncertainty of an external situation;

Development - an overall objective of the enterprise organisation.

According to school positions, strategy construction is based on following substantive provisions:

1. Strategy exists in consciousness of the head/leader in the form of prospect, namely an intuitive choice of a direction of development and a prediction of the future of the organisation.

2. Process of formation of strategy is based on life experience and intuition of the head of the organisation irrespective of, the idea of strategy in its consciousness is born or he perceives it from the outside.

3. The Head purposefully, even it is afflicted, advances the concept, personally supervising its realisation in case of need to introduce in process timely corrective amendments.

4. For a strategic prediction flexibility is characteristic, and enterprise strategy is simultaneously both thought over, and unexpectedly arising, and developing (considering changes of external circumstances).

5. The Enterprise organisation is distinguished by flexibility since it represents rather simple, sensitively reacting to instructions of the head-leader structure.

6. Enterprise strategy is directed on search of new possibilities of development and accordingly is in a greater degree protected from influence of a straight competition in a market alcove.

The basic contribution of school of business consists in working out of ideas of formation of anticipatory strategy at which creation the leading role is played by an individual management and strategic vision. Such management style is especially effective in the first years of existence of the organisation when there is a choice of a direction of development.

One of the main lacks of school is that strategy formation concerns mainly activity of one person, but the strategic process remaining in depths of informative ability of the person «a black box» practically does not speak. In practice the majority of heads not always possesses ways of a prediction, as a result strategy is inefficient and remains non-realised. Unique council of enterprise school for the organisation experiencing difficulties - search of the new head.

The second lack of school - development of culture of dependence and submission in the organisation. The school strengthens a myth that the organisation in the decisions on the further steps should rely on one - two talented heads, and other employees should realise their ideas.

In whole, school positions can be most effectively applied at two basic stages of development of the organisation:

1) Formation stage when the strong head-seer is necessary for the organisation;

2) The regeneration stage on which the organisation needs the strong head-leader who is capable to rally the personnel in a uniform command and to realise reforms in the organisation.

In other situations it is more effective and more expedient to lean against collective processes of a substantiation of strategy which though are characterised by a certain sluggishness, but differ большей objectivity.

17.5. Когнитивная (informative) school

Когнитивная (informative) school considers strategy creation as *mental process*. Adherents of the given approach lean against researches когнитивной psychology and analyze strategic process from the point of view of informative abilities of the person (the head - the strategist). The basic representatives of school are A.Djugejm, G.Sajmon, K.Shvenk, P.Korner, etc.

The kognitivnaja school is developing school which in strategic management has got special popularity in 80th Its object of research the maintenance of internal processes of a formulation of strategy of the organisation is.

Speaking in images, representatives of the given direction, investigating process of formation of strategy, analyze powers of thinking of heads-strategists which on the basis of the creative approach and intuitions distinguish in the available internal and external information possible ways of development of the organisation - i.e. strategy. Thus the intuition is understood as ability of the person to analyze, group, organise the information for fast recognition of the future strategy.

School substantive provisions consist in the following:

1. Strategy Formation is proceeding in consciousness of the strategist knowledge process.

2. Hence, strategy arise as prospect (in the form of concepts, schemes, frames) which order ways of reception of the information from environment.

3. This information before it will be deciphered with the help когнитивных schemes, algorithms passes through deforming filters (inefficient communications), or is interpretation of an existing state of affairs. In turn, the visible world can be modelled, structured and designed.

4. The Created strategy in most cases are far from perfect. Nevertheless, their change is connected with big to difficulties even in case strategy have ceased to be productive.

According to school positions presence of a special external environment which is defined as real-life, objective, independent of the organisation admits. The environment analysis guides to opening or detection of circumstances which already wait that them have found out. After that strategy corresponding to them is planned.

Within the limits of the given school certain algorithms, the schemes, the corresponding software are developed for processing of the information, its structurization, more exact definition of tendencies of development of the market and a choice of perspective strategy of activity of the organisation.

Allocate following basic lacks of the approach:

Theoretical studies of process of a formulation of strategy, studying of informative abilities of the person are spent mainly;

Gears of optimisation of strategy, necessity of its adaptation to market changes are not explained, the passive role of the strategist is underlined at use of external possibilities;

insufficient attention is given the direct gear of realisation of strategy.

Thus, with a view of increase of efficiency of strategic management КОГНИТИВНАЯ the school offers recommendations about development of the most important abilities of the manager - ability to analyze and structure the initial information. For expansion of these possibilities the manager should be able to apply and develop corresponding toolkit (cards, schemes, tables, ON).

17.6. Training school

The training school considers strategy creation as *developing process (process of accumulation of experience)*. Representatives of the approach consider that organisation environment is so difficult and chaotic that it is almost impossible to formulate the strategy corresponding to real dynamics of the market and the organisation. Therefore, the school motto - "to Study, study, study".

Representatives of school of training are J. Куинн («Strategy of changes: logic инкрементализм» 1980), Gordon Sju («there are more than strategy effective, R.Paskal (« Art of Japanese management »there are less than strategy abstruse», 1982), 1981), J. March («the Bibehavioristsky theory of firm», 1963), and also J. Bauer, R.Burgelman, K.Prahalad, etc.

School object of research is the technology of working out of strategy, instead of its formulation, definition of its maintenance proceeding from the saved up hands-on experience. According to researches of representatives of school of training, only 10 % of the formulated strategy are really realised in practice. Principal causes of it are:

separation of process of strategic thinking from strategic actions (the management formulates strategy, the average level - реализовывает);

Excessive straightness, предначертанность mapped out strategy and orientation to the administrative supervisory control of process of realisation. While the most successful strategy are developing, i.e. arise spontaneously on the basis of training, tests and errors in enterprise activity in the market.

Substantive provisions of school of training:

1) The difficult, unpredictable external environment along with necessity of constant updating of market information defines low efficiency of strategic process, interferes with realisation of the weighed supervisory

control. Hence, strategy development should have the form of process of training (accumulation of positive and negative experience of activity);

2) The head should be best "pupil" in the organisation, however in most cases in the organisations collective training takes place. Therefore the main task of the manager is revealing of strategic initiatives from the personnel;

3) Training procedure has developing character in which basis use and realisation of the revealed strategic initiatives lies. Eventually, those strategic initiatives which have proved the efficiency, become a basis of the future long-term strategy.

Thus, originally strategy appear in the organisation as schemes of actions from the past. The stored positive experience is a basis of the future strategy.

The training approach can look as follows. For example, one large furniture enterprise, long time used the external advertising company. Having counted level of expenses which are necessary for bearing on the given activity, the management has decided to experiment and create own publicity agent to try to lower the expenses for advancement or to gain more appreciable effect. After a while, after realisation of a series of successful advertising campaigns with the production, the enterprise has decided to render paid services to other enterprises of branch. Besides, the enterprise has gone further and has got the corresponding equipment for крупноформатной the outdoor advertising press. Having saved up a certain experience in advertising activity, the management has decided to be diversified in other branches of economy and to use the known mark at advancement of new sorts of production.

Thus, the training approach is connected with экспериментированием, manufacture of new production, development of new fields of activity which give possibility of accumulation of additional experience in enterprise activity. For example, the Finnish company Nokia having centenary history of an origin, has originally been occupied in pulp and paper industry. In 1980 it represented a large industrial pudding stone and specialised on manufacture of rubber tyres, paper production, household electronic equipment and in sphere of telecommunications. Company occurrence in sphere of digital cellular technologies environmental conditions in Finland at which the laying and service of traditional lines of wire telecommunication exclusively cost much promoted. As a result in the market cellular communication services have been claimed. Having reached certain successes in this area, the company management in 1992 has made decision to concentrate the efforts to development of telecommunications and has sold

other enterprises which have been not connected with given branch. Concentration of efforts on one branch and saved up earlier market possibilities have allowed the company to reach world leadership in sphere of digital cellular technologies. The set example shows on certain training of the organisation in the course of its development, development of new technologies and occurrence on the new markets.

Lacks of the approach of school of training:

1. Absence of accurate strategy of development at an initial stage (or in short-term prospect). According to school positions, strategy is defined on a course of activity of the organisation that is under certain conditions inexpedient (crisis, necessity of reforms etc.).

2. Presence of a problem of strategic "drift" at which the organisation gradually departs from the accepted strategy, proving it is needs of nature in adaptation. Management efficiency consists in simultaneously to have time to study and realise effective strategy.

3. Following to the given approach under certain circumstances can lead to negative training, for example, when the organisation does not wish to recognise hopelessness of a situation and aspires to raise the investments into hope of indemnification in the future prospect.

17.7. Power school

The power school considers strategy construction as *negotiating process*. The basic maintenance of the approach is reflected in A. Macmillan's works («a strategy Formulation: political concepts», 1978), G. Mintzberga («Games of politics in the organisation», 1989), J. Пфеффера and G. Salansika («the External supervisory control over the organisations», 1978), and also in works in J. Сарразина, R. Фримена, etc.

The school of the power unlike the previous schools treats process of formation of strategy as open race for power, placing special emphasis on importance of use by managers of imperious and political methods. In the certain plan of strategy of the given school can be named by political.

Within the limits of the given school it was generated two approaches:

1) The *microauthorities* which concerns game of political forces - the illegitimate or legitimate power - in the organisation, first of all in processes of strategic management;

2) The *macroauthorities* - are studied by use of imperious levers by the organisation in relation to external subjects of the market.

Adherents of school of the power assert that optimum strategy not only cannot be realised, but also is formulated basically. The competitive purposes of individuals and coalitions always lead to that in advance developed strategy will be constantly broken and be deformed owing to that people continuously play any "games of politics".

Representatives *of the approach of the micropower* describe three basic games of politics:

1) "Revolution" means displacement of an operating management (power grasp from within at guidance system preservation). In activity of the organisation it is shown as unexpected change of the power more often;

2) "Mutiny" is directed not only on management change, but also with change of separate systems of functioning of the organisation (for example, strategy, organizational structure, etc.);

3) «*Mass excitement*» are collective attempts of expression of discontent or disappointment the existing power with a view of contribution (obstacle) to changes in the organisation.

As political process adherents of school of the power explain necessity of construction of strategy by following theses:

organisation represents set of coalitions of the various individuals consolidated on the basis of general interest;

Between members of coalitions there are steady distinctions in systems of values, beliefs, knowledge levels, interests and perception of a reality;

major decisions concern distributions of restrained resources of the organisation - who that receives;

Limitation of resources and stability of distinctions create a basis for the conflict and do by its central moment of organizational dynamics, and the power - the most important resource;

purpose and decisions grow out of transactions, negotiations and juggling by positions between interested groups. For example, the management can carry on negotiations with the personnel and will agree about raising level of competitiveness of production the enterprise freezes growth of the salary for employees within the next year in exchange for warranties of employment or maintenance of corresponding advancing growth of the salary of employees during the subsequent period.

Strategy arising during political process carry spontaneous, instead of the foreordained character, and are formulated, as a rule, in terms of positions, rather than prospects. Such strategy not always are optimum and in most cases reflect interests of imperious groups of the given organisation.

Nevertheless, the policy has certain advantages at construction of strategy. The cores from them is the following:

policy as the influence system operates in the manner of Darwinian selection of leaders, providing employment лидерских positions the strongest members of the organisation;

At use of political methods all essential sides of the problem while other systems of influence can support only any to one of the parties, as a rule, are discussed;

Political methods allow to stimulate ripened changes which can be blocked by authorities in power.

The *macropower school* studies interrelation between the organisation and environment. From a position of the macropower the organisation should aspire to reach such condition at which it can to operate or influence in certain degree decisions of external subjects of the market to own advantage.

Thus, organizational strategy from a macropower position is result of negotiations with subjects of an external environment, creation of collective or co-operative strategy, strategic alliances etc. Therefore, strategy in the long term the macroauthorities consists, first, in ability to answer inquiries of external participants of game, and, secondly, to use the last for the organisation blessing.

Working out of strategy from macropower positions is based on following making elements:

External supervisory control from the organisation. According to authors of the given school, the organisation can change an environment so that it corresponded to their abilities. The given position places emphasis on active impacts or negotiations with subjects of an external environment. In this plan of idea of school coincide with positioning school. For example, the organisation can carry on negotiations with the government for granting of certain soft loans on development экспортноориентированной activity or about reception of exclusive conditions on a taxation mode, level of duties on the imported foreign goods for protection of the home market.

Analysis of interested groups is an attempt of management by political forces on the basis of the rational approach including the analysis of behaviour of interested groups, an explanation of behaviour and the analysis of coalitions (search of possible coalitions among similar). For example, two or several weaker enterprises can consolidate the efforts for counteraction to the price policy of the basic leader of branch.

Strategic maneuvering which provides constant supervision over actions of external players for the purpose of their effective supervisory control. For example, when the company receives the information that the competitor is late with a conclusion of the new product to the market, it can use the best efforts a conclusion of new production.

Construction of the co-operative strategy including such elements as business networks (suppliers, clients, competitors), collective strategy (are based on cooperation and provide refusal of orientation to competitive antagonism), strategic alliances (co-operative agreements on joint conducting an advertising campaign, НИР, transfers of system of service, distribution of a product, a technological transfer, joint participation in the auctions, co-production, a swap of licences, creation of joint affiliated company, etc.), strategic external sources (outsourcing) - refusal of own manufacture of accessories in favour of external suppliers.

Now competitive actions between the different enterprises can promote negative consequences for branch as a whole. The corrosive behaviour of leaders or their followers can become the reason of falling of the prices in branch and to deterioration of position of all enterprises. Therefore, application of co-operative strategy allows to use the co-ordinated price policy and to provide necessary conditions for a branch sustainable development. Besides, necessity of formation of strategic alliances is proved by a global competition in the world market, necessity of association of the capital of the domestic enterprises for opposition to global competitors.

As a whole, substantive provisions of school of the power consist in the following:

- 1) Strategy formation is defined by the imperious and political forces causing internal processes or actions in environment;
- 2) Strategy arising thus, as a rule, has spontaneous character and takes the form of a position or dodges, instead of prospects;
- 3) The micropower considers strategy creation as the interaction based on methods of belief, negotiations, and sometimes and straight confrontation in the form of games of politics round crossed interests and the formed coalitions any of which does not possess dominating positions during the long period of time.
- 4) The macropower considers the organisation as aspiring to the well-being by means of the supervisory control of actions of other agents of the market or by cooperation with them. Thus the companies lean both against strategic maneuvering, and on realisation of co-operative strategy, creation of strategic alliances.

The main lack of school of the power is that representatives of the given approach consider process of creation of strategy only from a power position, exaggerating its role in system of strategic management. In a reality imperious relations in the organisation are one of set of making factors of strategic process.

17.8. Culture school

The culture school considers strategy construction as *collective process*. The given school actually represents a mirroring of the power considered above school. The attention of school of the power is concentrated to influence of internal policy on advancement of strategic changes while the *culture school concentrates basically on culture roles in maintenance of strategic stability* and - is more rare - in active resistance to strategic changes. The previous school extraction of own benefit, the second - general advantage and interests interests.

The culture school develops in 80-90th years thanks to successes of Japanese corporations in the field of human resource management. The basic representatives of school are E.Pettigrju, J. Johnson, S.Feldman, J. Лопш, T.Piters, R.Uoterman, B.Vernerfelt.

The *organizational culture* associates with collective knowledge and is original «opinion of the organisation», general *belief* which are reflected in traditions and habits, legends and organisation symbols, constructions and products. For example, informal fashion in the companies making the software is an expression of conviction that strict style does not promote informal conditions and kills creativity.

The organisations with *strong* cultures are characterised by a set of assumptions taken on trust concerning behaviour of people in the organisation which are protected by a network of cultural artefacts (so, instead of differently). For the description of strong culture - divided by all members of the organisation of the firm belief distinguishing the given company others, - use concept "ideology". For example, the Japanese culture is shown in strong ideology of Japanese corporations (loyalty display, action proceeding from general interests of the company, a collectivism etc.). Considerable influence on the culture maintenance renders the national and branch fact (for example, the Belarus, European, Japanese companies).

The basic maintenance of school of culture is shown in the following system of principles:

1. Strategy formation is the process of social interaction based on general for members of the organisation belief and understanding.

2. Beliefs of the individual, group are result of processes of familiarising with certain culture or socialisation, as a rule, not expressed obviously and nonverbal, though sometimes strengthened by formal education.

3. Members of the organisation are capable to characterise partly only belief on which their culture while its sources can remain for them obscure is based.

4. First of all strategy takes the form of prospect, in the second - the form of the position which have taken roots in collective models of behaviour, aspirations. Hence, as the basic characteristic of strategy acts *предназначенность* (even if it not quite *осознанна*).

5. The culture and in particular ideology promote more likely not to strategic changes, and preservation of the running strategy. At the best they suppose updatings within the limits of general strategic prospect of the organisation.

Mainly communication between culture of the organisation and its strategy is shown through such components of strategic process, as styles of administrative decisions, the strategic changes, dominating values.

Style of decision-making. The organisations with various cultures develop original «the dominating logic», operating as the information filter which in the course of strategy creation accents one data and ignores others.

Resistance to strategic changes. Deep beliefs dominating in the organisation and culture are the most powerful internal obstacles to fundamental changes of strategy. The consolidating organisations business networks favour to formation of the general values raising their individual both general inertness and defining similar reactions in the running strategic situations.

Resistance overcoming to strategic changes. For overcoming of strategic inertness of organizational culture the top management should recognise importance of flexibility and innovation as integral making culture of the company.

To solve this problem it is offered in the next ways:

Post establishment «the senior manager without a portfolio», whose duty - to put questions, to challenge taken roots belief, to put forward new ideas (in the Japanese company of performance on a problem occasion begin with the younger manager on a rank on increasing);

The invitation of external managing directors which will bring up important questions of relevance of cultural values in changing conditions;

The organisation in the company of educational programs for managers of an average link with attraction of experts from outside;

Encouragement of regular rotation of managers from the point of view of their functions and duties (moving from one place of work on another within the limits of the company).

Dominating values. As a rule, the succeeding companies possess such dominating key values as a high degree of service of consumers, quality, the innovation providing competitive advantages. These values not so simply to copy, as for example new models of production of the competitor. Formation of steady models of organizational culture and values is a long-term factor on which realisation years can leave.

To T.Piters and R.Uoterman («In search of efficient control», 1982) have presented the well-known model of management «7-C» which central concept is the culture surrounded with strategy, structure, systems, the style, serving and special knowledge (experience). According to authors of the concept, the success of the organisation is defined by a harmonious combination of all of seven "With".

Cultural contradictions. The analysis of strategy of merges, absorption and creation of joint ventures, as a rule, includes researches of confrontation of various organizational cultures. Uniqueness of culture of each organisation causes problematical character of realisation of similar strategy which are "rational" from the industrial or market point of view.

According to ideas of school of culture radical change of strategy should be caused fundamental changes in the culture which realisation includes following stages:

1) a strategic deflexion of a frame of reference of the organisation from characteristics of an external environment;

2) "defrosting" of existing system of belief under the influence of deterioration of financial indicators and comprehension of organizational crisis;

3) carrying out of experiments and change of the basic approaches of the strategic concept;

4) stabilisation on the basis of proved system effectiveness of sights, organizational culture.

Lacks of school of culture:

culture school in a sense promotes stagnation underlining importance of traditions and unanimity, characterising changes as very difficult;

culture school equates strategic advantage to organizational uniqueness.

According to a school position, achievement by the organisation of difference from others becomes end in itself that leads to balance infringe-

ment (the organisation places emphasis on internal resources while conditions are dictated by an external competition).

17.9. Environment school

The environment school considers strategy construction as *jet process*. Within the limits of the given direction of strategic thought environment is allocated as a major factor affecting organizational strategy. The environment school takes away the organisations a passive role which consists in reaction to events occurring in an external environment. Strategy creation at the given approach, as a matter of fact, is reflexion of changes of an external environment (micro- and macroenvironments).

Basic ideas of school are stated in D.Miller's works («Creation of strategy and environment: the third communication», 1982), G.Mintzberga («Cycles of organizational changes», 1992), M.Hananna and J. Фримана («Populjatsionnaja ecology of the organisations», 1984).

Unlike the previous schools, in the centre of strategic process of the putting individual or collective strategist, the school of environment transfers control of strategy to external factors. According to ideas of school all external factors are reduced to one general force pushing the organisation in a certain "ecological" alcove (a competition concentration).

The school of an external environment includes three basic directions of development:

- 1) Theories of situational factors;
- 2) Ecology of populations;
- 3) Research of institutional pressure.

According to the *theory of situational factors* specificity of behaviour of the organisation is defined by features of a situation proceeding from the analysis of such parametres of environment as stability, integrated approach, a variety of the market and animosities. Strategy is defined as reaction of the organisation to the factors of an environment listed above, i.e. strategy is adaptation.

Ecologists of populations use model «a deflexion (change) - selection - making fast» and explain changes as result of interaction between almost casual innovations of the separate organisations and struggle for existence at population level. Innovations allocate the organisation with advantage, but its survival depends on ability to get a sufficient stock of resources. Limitation of resources and struggle for their distribution and use becomes the reason выбывания poorly adapted organisations.

According to the *institutional theory* environment is original "storehouse" of resources of two types: economic (money, the earth, cars) and symbolical (respect, authority). Strategy becomes search of ways of acquisition of economic resources and their transformations to the symbolical organisations providing protection against uncertainty and pressure of environment (suppliers, consumers, the competitors supervising and other state structures).

The main positions of school of environment are reduced to following principles:

1. The external environment is the main element of process of creation of organizational strategy.

2. The organisation should or react adequately to these forces, or it should «leave from a scene».

3. The management is considered as a passive element of strategic process, its problem - identification of external forces and maintenance of adaptation of the organisation.

4. The organisations gather in special alcoves of an ecological type where they remain until their resources are not exhausted or animosities of environment do not become excessive. Then the organisations stop the existence.

Lacks of school of environment:

School Strategy have abstract character. The inept strategist can not overcome complexity of environment, and skilful - to use them for the organisation blessing. Derivation strategy shows differences of the organisations from each other functioning in similar conditions.

Bezalternativnost of actions in relation to environment changes, i.e. the organisation as those are deprived a strategic choice and should operate according to dictatorship of an external environment.

The Choice under pressure a competitive market alcove.

17.10. Configuration school

The configuration school considers strategy construction as *transformation process*. According to school positions strategic management is a science about changes. Process of working out of strategy pursues the purpose of change of reference points of activity of the organisation, resultant strategy urged to stabilise its movement in the selected direction. The configuration school in this plan describes rather consecutive realisation of strategy of transformation or adaptation of the enterprise to new conditions. The *configuration* is understood as steady structures of the organisation and

an external environment, and *transformation* is a process of working out and strategy realisation.

First, the configuration school analyzes interposition of various conditions of the organisation in certain conditions that allows to define "structures", "models", «ideal types» the organisations.

Secondly, the school considers time sequence of change of various conditions for the purpose of definition of "stage", "period" or organisation "life cycle".

Thirdly, strategy working out is represented as original process of "agitation" of available schemes (steady organizational elements) so that the organisation has had an opportunity transition in a new condition. The configuration school considers the given process as drama transformation, as, for example, ревитализация (regeneration), «turn by circle».

The main ideas of school are reflected in D.Miller's works («Strategy and structures of configurations: in a direction to synthesis», 1986), P.Handavalla («Influence of environment on the organisation of strategy of firm», 1985), M.Bira («Six steps to effective changes», 1990).

School substantive provisions consist in the following:

1. The most part of time the organisation can be described as a steady configuration of its constituent parts, i.e. the certain period of time the organisation accepts accurately certain structure adequate to an external environment that causes behaviour of the organisation and a set of strategy.

2. The given periods of stability interrupt from time to time transformation - quantum jump in a new configuration (the organizational form providing the further development of the organisation).

3. Alternation of the periods of a steady condition of a configuration and transformation transient is built in due course in schematic sequence (the concept of life cycles of the organisations).

4. Thus, the main objective of strategic management consists in maintenance of stability of the organisation on rather long intervals of time. *During the periods of necessary transformation strategic management urged to provide management of process of transition and preservation of viability of the organisation.*

5. Accordingly process of construction of strategy is reduced to working out of concepts or formal mapping out, to the regular analysis or management vision, to скооперированному to training or the concrete policy, to concentration on individual training, collective socialisation or is limited to reactions to environment impacts. As an indispensable condition timeliness of undertaken actions and their adequacy of a situation thus acts.

The presented schools of construction of strategy in itself represent certain configurations.

6. Resultant strategy accept forms of plans or schemes, positions, prospects or conditions - but each of them besides in due time and according to a situation.

On researches of representatives of school of a configuration at University Makgilla, the conclusion has been drawn that the organisations effectively function when skilfully combine various organizational features, supplementing with one others - for example, a certain sort of mapping out with the certain form of structurization at certain style of a management.

In the course of researches of the organisations the basic schemes of changes have been allocated also:

Periodic shake-ups when the long periods of stability alternate from time to time revolutionary changes;

Shears (разнонаправленные) when the adaptation periods in the stable environment are replaced by struggle stages for realisation of changes (sometimes with various recurrence);

Invariable cycles when the development stage is replaced by a stability or maturity stage etc.;

Regular process when the organisation is in rather constant process of adaptation.

According to D.Miller's researches by the central link of a configuration and transformation *quantum representation of changes* is. Quantum jump in enterprise development means simultaneous change of set of organizational components (strategy, structure, systems).

The quantum theory of changes most adequately describes processes, characteristic for large, mechanical диверсифицированных the organisations which long time resist to serious strategic changes owing to the taken roots standardised methods of business dealing. As a result position of stability in such organisations is broken through the certain periods of time трансформационными by the pushes providing break of the organisation to the further growth and development. The Edhokratichesky organisations (target), as a rule, develop in regular more intervals under the scheme разнонаправленных shears.

The organisations which are engaged in manufacture of the original goods, during the certain periods feel requirement «to scatter every which way» for maintenance of creative mood, and then to stop for a certain time, to order chaos.

According to R.Majlza and K.Snou's researches four basic models of behaviour of the enterprises are allocated:

"Defenders" worry about stability with a view of preservation of the share of the market. To eliminate competitors "defender" either establishes competitive prices, or concentrates attention to quality. The major elements of strategy are technological efficiency and the rigid organizational supervisory control in all подразделениях.

"Scout" guides active search of new production and market possibilities (sometimes even to the detriment of profitableness). A success key - maintenance of flexibility both technological, and administrative systems.

"Analyst" is intermediate between "defender" and "scout", he aspires to the minimum risk and the maximum possibilities of reception of profit.

"Subordinate" differs from previous unduly nervous, not ordered, reactions to environment that is one of the shortest leaders to fiasco of ways.

Resultant researches of school of a configuration is the description of the maintenance of strategy of transformation of the organisations. According to school workings out it is offered six basic трансформационных strategy:

1. *Evoljutsionno-institutional building* provides gradual reforming of values of the enterprise, structures of the highest level and assessments of works of executors so that linear managers had an opportunity to operate changes.

2. *Shake-ups and рефокусирование* are used for the purpose of creation of conditions for development of the large structure which have appeared in stagnation. Strategists define new spheres of business and reconstruct managerial process by the company.

3. *Race for the leader* is capable to bring fast results. For example, the management initiates the basic changes from above (sale of the business which is not bringing the income).

4. *Multiplane focus*. In this case changes are realised by means of a command which puts system problems of decrease in costs, stimulations of sale, carrying out of the new advertising companies, workings out of new production.

5. *Regular reorganisation* is carried out according to the organisation of parallel mapping out of industrial and administrative processes.

6. *Mobilization at department level*. In this case the head confers powers for the organisation of the target groups realising ideas of managers of an average link and employees of functional divisions.

The basic lacks of the approach of school of a configuration consist, first, in consideration of quantum jumps in organisation development. In actual practice the majority of the organisations models of stage-by-stage changes (инкрементализм) follow. Secondly, generalisations of the configuration approach are a little any.

18. BASE COMPETITIVE STRATEGY

18.1. Strategy of leadership on the basis of costs

Important stage in system of strategic management is *the choice of a concrete sort of the business strategy* providing the best indicators of development and a competition on the basis of use of internal potential and possibilities of the organisation. Achievement of the certain superiority over competitors in the prices for the offered goods and services, in width of assortment and quality of service of consumers of a target segment or the market as a whole, essentially strengthens competitive position of the enterprise and creates stronger protection against pressure of the external and intrabranсh environment.

Thus, *competitive strategy* is a set of strategic initiatives, approaches and the actions of management directed on achievement of steady competitive advantage, consisting in the superiority of competitors by quantity of clients and in possibility to counteract influence of competitive forces. *Base competitive strategy* are subdivided into five principal views depending on degree of coverage of the market, level of costs and differentiation of production or enterprise services (fig. 4.1). Active investment of means in creation of steady competitive advantage is unique way of achievement of indicators of profitableness above averages in branch.

Leadership strategy in costs is the most powerful strategic approach as puts the primary goal aspiration of the manufacturer to become the supplier of the most low-cost in branch of the goods and the services attractive for a wide range of consumers. Use of competitive advantage stimulates maintenance of higher rates of increase of sales and increase in a share of the market in the price of the offered goods in comparison with competitors. According to a *curved line of experience* increase of volumes of realisation of production promotes the further decrease in general production costs and strengthening of a position of the enterprise as leader of branch.

The *essence of business strategy of leadership in costs* consists in working out and realisation of the complex program of decrease or economy of expenses at all stages of industrial and administrative process, maintenance operative and constant контролинга costs all levels of man-

agement and divisions. In certain degree, it is special philosophy and culture of behaviour of employees of the enterprise which system of values is under construction on the basis of a base principle - *optimisation of expenses at all stages of business processes of the organisation within the limits of the competence*. Successful realisation of strategy becomes possible only when the behaviour and activity of each employee will be optimum on the expenses and quality of work.

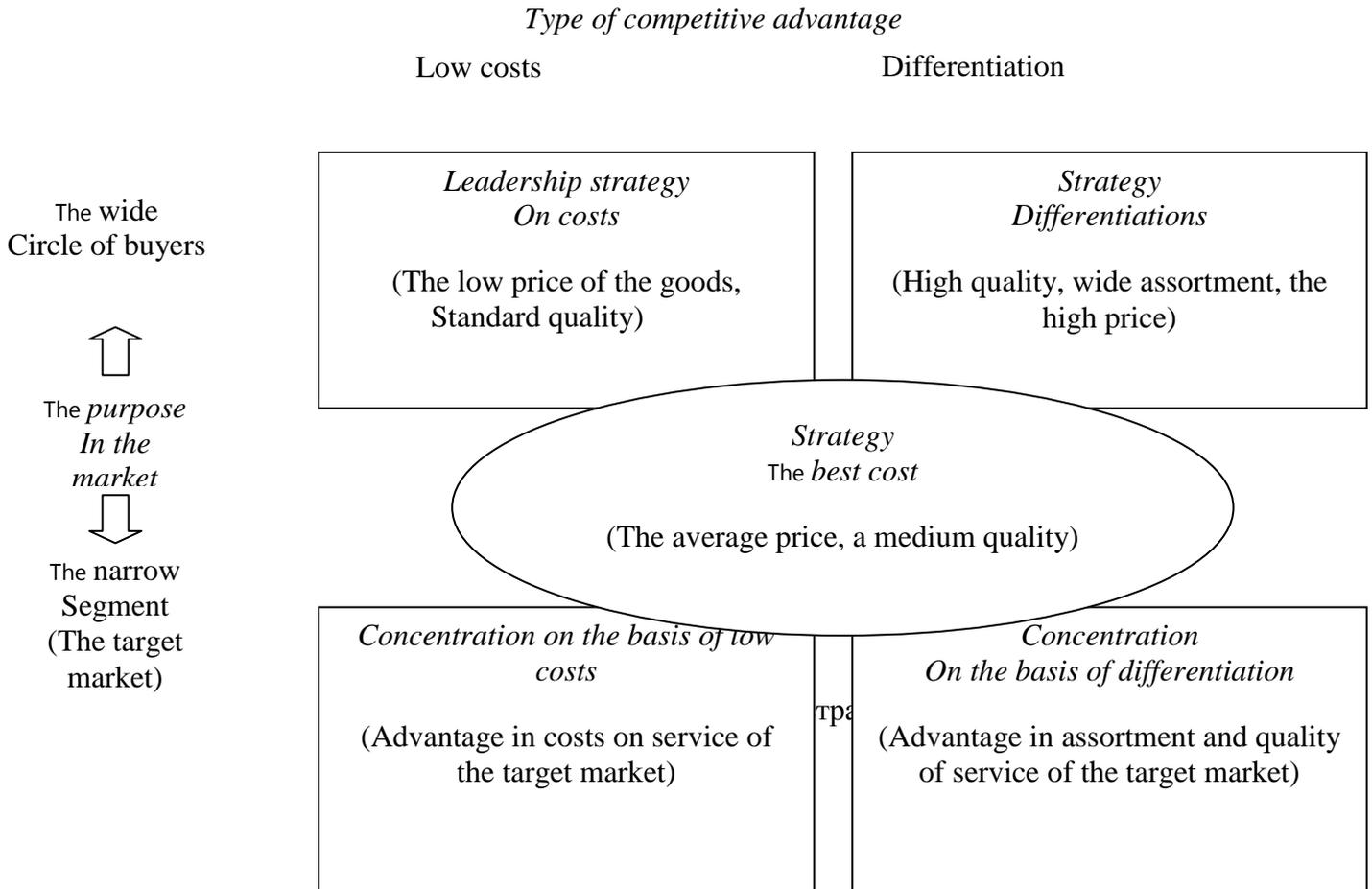


Fig. 18.1. Base competitive strategy

The approach *strategic target* consists in creation of steady advantage in costs before other competitors and use of this advantage or by the offer of the goods at lower prices and increases, thus, the share of the market at the expense of competitors, or by reception *большой* profits at the expense of sale at the running market price. In a case if in the market corrosive

speculation for the fall of the prices for the purpose of derivation of consumers from competitors advantage in costs will not be used allows to provide very high profitableness of the enterprise, to increase реинвестирование means in manufacture development, updating of technologies. Thus the organisation should aspires not to absolute decrease in expenses, and to achievement of lower industrial costs in comparison with competitors, as is the basic idea of business strategy of all organisation. Successful leaders in costs are such companies which possess corresponding experience and find ways of management expenses in the business.

Orientation of the enterprise to maintenance of the lowest costs in branch is the effective competitive approach in the markets with *low consumer ability of the population where consumers are mainly sensitive to the goods price*. This approach is most actual for national sector of the countries with the transitive economy which majority of the population low enough incomes have and are focused on mass consumption of the goods of a standard quality and the low price.

Results of researches show that on internal and a foreign market, especially Russian, being priority for the Belarus export, the price competition now is most extended. By some estimations of the Russian economists, demand for 80-90 % of the goods is elastic at the price, i.e. sensitively reacts to its any changes. In these conditions of strategy of price leadership appear the most successful. The prize or loss in competitive struggle of the domestic or Russian enterprises for restrained solvent demand depends on that, their prices and costs are how much competitive. Considering certain dependence of our country on fuel imported from the Russian Federation, energy, a source of raw materials and their cost, and also the additional costs connected with re-export of finished goods on the Russian market, initially Belarus manufacturers face unequal conditions of competitive struggle, have higher level of costs and, accordingly, concede on competitiveness of the goods in the ratio the goods price-quality. In similar conditions for deduction of the positions in the basic export market the domestic enterprises should provide higher level of production efficiency and economy of expenses to support competitiveness of the goods at sufficient level for maintenance of the further growth of export. As shows foreign experiment, the lack of certain resources stimulates production efficiency increase, maintenance of qualitative management with costs.

Advantage creation in costs. Leadership in costs is provided at achievement of smaller total expenses in all chain of value in comparison with competitors. Allocate two basic approaches, allowing to realise a similar problem:

Perfection of a guidance system by a chain of value and optimisation of costs of each separate link of industrial and administrative process;

Reorganization of a chain of costs and an exception most затратных elements.

At *management of a chain of value* optimisation of expenses is made on two groups of factors: the *structural (industrial) factors of expenses* depending on the economic nature and specificity of a field of activity of the enterprise; the *administrative factors of expenses* resulting from quality and efficiency (profitability) of operating system of management.

Structural (industrial) factors of expenses include following elements:

1. The *manufacture scale effect* consists in reception of additional economy at the expense of redistribution of constant costs (an overhead charge, advertising, research and development, etc.) on большой volume of realised production, mapping out of great volumes of manufacture of job lots of the goods, simplification of assortment of production, the organisation of sales on regions and growth of productivity of separate sellers, etc. It allows to reach an optimum level of costs at level of separate division. However growth of scales of manufacture results and in negative consequences: expenses for advancement and delivery of the goods in more remote regions increase, expansion of assortment demands more frequent readjustment of the equipment, the organisation of regional sales on assortment leads to growth of number of the trading personnel, rigid requirements to quality of export production lead to labour productivity losses etc.

2. *Effect of a curved line of training*. The economy of costs can be reached at accumulation of a certain experience and increase of professionalism of workers. The training curved line says that the enterprises more investing in the intellectual capital and development of technologies in comparison with competitors achieve the best indicators on level of costs at the expense of improvement of the organisation of works, increase of efficiency of work, innovative decisions, a know-how in industrial, administrative, marketing and an information work. Advantages from training can be owned as the property, creating and modifying a manufacturing equipment at the enterprise, stimulating constant employment and keeping the most skilled workers, limiting information distribution to publications of workers and including strict conditions of nondisclosure of industrial secrets in trade contracts and contracts.

3. *Maintenance of communication with other elements in an industrial chain of costs*. The administration can lower expenses at the expense

of maintenance of effective co-ordination and joint optimisation of adjacent interdependent sorts of activity. For example, demand in the market can essentially deviate the planned production program, to increase by one goods and to decrease for others. Therefore industrial divisions should receive the information corresponding from marketing or marketing service on change of demand in a mode of real time for maintenance of timely updating of production programs and a non-admission of overstocking of production in a warehouse. Accordingly, in the absence of accurately coordinated work between marketing, sale and manufacture, absence of flexible hours of mapping out of the production program the enterprise can sustain essential losses because of changes of demand for its production.

Use of long-term or exclusive contracts with suppliers, introduction of deliveries «is exact in time», change of a site of warehouses, a material handling, packings can affect the final cost price of the goods and services.

4. *Sharing of the equipment, technologies.* Various divisions of the enterprise can use general information systems of support, a local network for fast access to the necessary information, systems of processing of orders, general warehouse and channels of distribution of production. Teamwork with other structures allows to provide considerable reduction of costs, promotes the best use of capacities.

5. *Rational use of resources.* Deep processing of raw materials, decrease in marriage and involving of a waste in a manufacture secondary process provides increase of volume of an exit of finished goods counting on unit of the used raw materials that optimises variable expenses of the enterprise. Besides, the state stimulates the given processes, establishing certain tax privileges at secondary use of production wastes. For example, some enterprises of a wood complex introduce the local heating systems consuming a waste of a woodworking and giving much more low-cost alternative sources of thermal energy.

6. *Economy on large-scale purchases.* The large enterprises can create large supplies of raw materials and materials and to win at the expense of decrease in procurement prices of the big consignments of goods. Especially it is actual at high level of a competition in raw branch when the heavy buyer can easily pass to the supplier with the best prices and conditions of deliveries.

7. *Advantages of vertical integration* instead of system of a works under contract. Partial or full integration with suppliers of raw materials or with trade enterprises allows to provide additional possibilities on reduction of costs, realisations of a general price policy forming thereby stronger competitive position of the enterprise. However it is sometimes more fa-

vourable to transfer performance of certain works or functions to experts of the foreign organisations (outsourcing) which thanks to the experience and possibilities can carry out them with smaller expenses.

8. *A choice of the location of the enterprise.* In various regions or the countries salary rates, taxes, cost of energy, the price for the international and internal transportations etc. Therefore if there is a speech about building or creation of the new large enterprise differ manufacture in regions with optimum costs is more favourable to have. Besides, necessity of change of a site can be proved the legislation, requirements of preservation of the environment. For example, in the plan for development of a city of Minsk it is provided that all large industrial productions in far prospect should be taken out on city boundaries. Enterprise differentiation in geographical scale also can raise the costs connected with loss of controllability, necessity of additional expenses on co-ordination enough the divisions removed from each other, representations.

Considerable influence on enterprise costs is rendered by administrative decisions, their nature, economic validity, efficiency of acceptance and realisation.

Administrative factors of expenses include:

1. *Use of advantages of the first course.* The companies, the first broken on the market, have possibility quickly to increase manufacture and to reach optimum costs agree a development curved line, creating parting layers to other firms, the enterprises. Trailblazers, as a rule, have the highest level of recognition of a trade mark that provides additional competitive advantages. In such situation it is possible to tell what to make the first course more low-cost, than reciprocal.

However the firms offering the goods of the second or third generation, study experience of trailblazers, copy their production, improve and offer more low-cost. In this plan following strategy for the leader demands considerably smaller investments and, as a rule, is applied by weaker companies which have not enough resources for working out «прорывных» technologies or opening of the new markets.

2. *A coefficient of utilisation of capacities.* At fuller use of capacities indirect costs and an overhead charge are distributed on больший volume of output and raise efficiency of use of fixed capital. Than more capital-intensive is the business, especially essential value has this factor. Vacillating of a coefficient of utilisation of capacities is frequent enough occurs owing to demand seasonal variations. In this case, optimisation of expenses demands development of the special program of maintenance of uniform industrial loading.

The *company can improve use of capacities by a way:*

Service of various customers, including from other countries, which peaks of requirements uniformly distributed on all year;

Findings of out-of-season consumers of production;

Service of wholesale buyers which periodically work with superfluous capacity and buy the big consignment of goods during the periods of seasonal recession of demand, as a rule, for the purpose of reception of corresponding discounts;

Selection of consumers with stable requirements or with such cyclic ascending gradients and recessions which would be in a phase opposite to a usual cycle;

Distribution of capacities between the related structures having other schedules of vacillating of demand.

3. *A strategic choice and working decisions.* Heads of different levels can affect company costs, making corresponding decisions: to increase or reduce the nomenclature of offered production, to expand or cut down services offered buyers, to increase or reduce quantity of technical characteristics and product quality indicators, to pay to the workers a salary and awards big or smaller, than other enterprises of branch pay, to increase or reduce number of steps of integration towards trade enterprises or suppliers, to toughen or weaken requirements to bought materials, to get or create new manufacture (enterprise) etc.

Reorganisation of a chain of costs. The enterprise can lower the expenses at the expense of re-structuring of organizational processes and problems, cutting down unnecessary expenses and raising profitability of system.

The basic directions of reorganisation of a chain of costs following approaches can be:

Transition to electronic technologies. Use of Internet-technologies for purchases, reception and processing of orders, data exchange with suppliers, realisation of electronic payments, teleconferences and other progressive technologies allow to reduce costs at the expense of reduction of expenses by payment to trading agents and sellers, rent and the maintenance of floor spaces. Besides, electronic trade gives additional possibilities and to the consumer: the wide information on the offered prices, terms of delivery, to assortment of the goods, etc.

Use of straight marketing, sale to the end user. Costs of wholesale-retail trade in a chain of costs make 35-50 % of the final price which is paid by the buyer. Therefore creation of own network firm or Internet-shops allows not only to reduce charges of intermediaries, but also to

supervise level of the final price. Besides, straight marketing allows the enterprise to be closer to the consumer, to trace dynamics of a consumer demand and behaviour.

Design or product design Simplification. Use of modern methods of modelling, standardization and unification of integral component parts, reduction of quantity of additional properties and goods updates promotes decrease in expenses at the expense of an exception of a part of elements or works in the course of designing and manufacture. However managers and designers should understand and define a limit after which product simplification will turn to deterioration of its quality. Design decisions should not lead to loss important for the buyer of consumer properties of the goods not to provoke falling of sales. With a view of decrease in costs the management should aspire to disposal of excesses or those properties of the goods which have low value for the consumer, but appear enough затратными for the enterprise.

Increase of flexibility and perfection of production processes, decrease in a capital intensity of manufacture. Use of the multipurpose equipment, ресурсосберегающих the technologies, the automated guidance systems of manufacture and other flexible productions allows to reduce time and costs to equipment readjustment, flexibly to adapt production programs for changes of the running market demand, to reduce requirements for resources (raw materials, power resources, the personnel) that finally reduces cumulative costs of the enterprise.

Use of alternative or more low-cost sources of raw materials and accessories. This problem should be solved at a stage of design working out of a product. The most important thus is search of the suppliers using more progressive technologies and giving optimum conditions from the point of view of quality and the price of a source of raw materials.

Manufacture Moving. At great volumes of deliveries of production on other markets or raw materials purchases in other countries it is expedient to transfer manufacture or to create the new enterprises at expansion of scales of activity more close to suppliers or consumers that essentially reduces transport costs, the customs duties. International диверсифицированные the companies move the manufactures to other countries with low-cost labour, low requirements of the ecological legislation, more attractive tax system that optimises their cumulative costs.

Successfully working manufacturers usually reach advantages in costs at the expense of rigid economy of expenses on all chain of costs. All possible resources and divisions are involved in these purposes. Usually *manufacturers with low expenses possess high corporate culture in the*

field of expenses which is symbolically supported by simplicity of refinishing of buildings and premises, a minimum of luxury for bosses, irreconcilability to useless expenses, careful study of expenses of the budget and wide participation of workers in the supervisory control of expenses. The enterprises leaders in costs, as a rule, are "champions" on thrift. Nevertheless, the given firms are capable to invest huge means in projects on decrease in costs.

As show the researches, full re-structuring of all structures and enterprise divisions, perfection of gears of their co-ordination allows the company to reduce expenses for 30-70 % while improvement of separate elements of system or regulation of processes gives no more than 5-10 %.

Leadership in costs provides protection of the enterprise against a competition. Manufacturers with low expenses have possibility to use following methods of protection against competitive forces:

At collision with large corrosive competitors in the markets with a price competition low expenses are powerful defensive means;

At a rigid competition among manufacturers heavy buyers can force down the prices in this connection leadership in costs is the important factor of maintenance of profitable work of the enterprise;

At negotiating with large suppliers, the leader in costs is is better protected from negative influence of a rise in prices on raw materials owing to *большой* internal efficiency of manufacture;

Low costs are an effective remedy for counteraction to the market of the goods-substitutes.

Leadership strategy in costs *allows the enterprise to establish the bottom limit of the price in the market*, providing steady growth of sales and gradual increase in a share of the market, creating economic preconditions for the further strengthening of a position of the leader.

Strategy of leadership on the basis of costs is applied at following basic characteristics of the market:

Presence of a strong price competition among the enterprises;

Branch production basically is standardised and there is a considerable quantity of manufacturers;

There are restrictions for differentiation or an individualization of production which would have value for buyers;

Production is used by the majority of buyers equally;

Buyers do not face serious expenses at transition from one manufacturer to another for acquisition of more low-cost goods of a standard quality;

In connection with a rigid competition among manufacturers for clients heavy buyers possess sufficient possibilities to force down the price.

Accordingly, efficiency of realisation of strategy of low costs is defined both internal possibilities and organisation experience, and specificity of branch, conditions in the market. Use of the given strategic approach bears for the organisation and certain enterprise risks.

In strategic management allocate following basic *lacks of strategy of low costs*:

1) Technological breaks can lead to such reduction of prices at other competitor firms that earlier made investments into leadership achievement into costs will make economically unjustified;

2) Contestant firms can copy quickly enough methods of decrease in the expenses, applied by other enterprises that will allow them to save some expenses connected with necessity of carrying out of researches and workings out in given sphere;

3) Firms persistently aspiring lower costs can to concentrate on this problem that will not react in time to important changes of the market, for example, growth of interest of buyers to additional properties of the goods or services so.

Too active adherent of low expenses risks to lose the market if buyers start to select the raised quality, the advanced performance properties, fast service and other individualised properties of the goods. For an exception of similar risk the manager should be attentive and aspires to reach not is minimum possible, and lower, than at competitors, costs. Simultaneously it is necessary to trace dynamics of the market and *взаимоувязывать* programs of decrease in expenses with changes of preferences of buyers not to lose property and service as which the consumer considers important.

In branches of a wood complex of strategy of leadership in costs to the greatest degree correspond and can be applicable the enterprises of raw sphere: workpiece and the offer of workable timbers, manufacture of saw-timbers, plywood, cellulose, a cardboard, a paper, etc. In furniture manufacture an orientation on minimisation of costs can lead to narrowing of assortment of the goods, simplification of design and other important characteristics which are valuable enough to the consumer. Therefore, in the given branch it is expedient to be guided in strategy by an individualization of production or to combine it with advantages of low costs.

18.2. Differentiation or individualization strategy Production

With increase of level of incomes of the population preferences of buyers concerning a product quality change. In process of growth of a standard of well-being consumers start to give preferences to the individualised properties of the goods or services and expect from the manufacturer of the wide commodity offer. As a result of it the standardised production of the enterprises focused on low costs, becomes unattractive as does not satisfy differing requirements of clients. At the given tendencies of development of the market use of *strategy of differentiation or an individualization of the goods or services* becomes more effective approach.

Differentiation strategy assume granting to buyers of more valuable and wide commodity offer in comparison with competitor firms. Achievement of success in differentiation demands careful studying of a market demand, revealing of consumer properties of the goods which are valuable to buyers and for which they are ready to pay money.

The *essence of strategy of differentiation* consists in a finding of a unique method of increase of value of production for the consumer and maintenance of this uniqueness during the long period of time. Base of creation of competitiveness for the manufacturer individualising the production is such production which properties considerably differ from properties of production of competitors. One of key methods of realisation of strategy of differentiation is creation of value for the buyer such way which would be inaccessible to competitors.

There are three approaches to creation of consumer value of a product:

Giving of production of such properties which reduce general expenses of the consumer at its use (for example, profitability at electricity consumption or fuel, quantity of an operating crew, multifunctionality, guarantee certificates etc.);

Giving of production of such properties which raise production performance properties (life cycle, productivity, capacity, modernisation possibility, etc.);

Investment of production with properties and qualities which raise not economic (or non-material) satisfaction of the consumer (design, colour, originality, the comfortableness, a known trade mark, etc.).

Competitive advantages arise when the considerable number of buyers will be strongly adhered to individual properties and production characteristics, to copy which for competitors difficultly enough or expensively.

Realisation of strategy of differentiation allows the company:

To receive the additional extra charge to the price for the individualised properties of production;

To increase sales volume at the expense of additional groups of buyers which are focused on consumption of individualised production;

To achieve adherence of consumers to the trade mark at the expense of the unique commodity offer.

Differentiation increases profitableness always when the additional extra charge to the price for the goods exceeds additional expenses for realisation of its individualization. Realisation of strategy of differentiation comes to an end with failure when buyers do not estimate uniqueness of production of the given trade mark or when the company approach can be easily copied or adapted for differentiation by competitors.

Differentiation is not limited only to quality and service sphere. Differentiation possibilities exist in all structural divisions of the company.

1. *The Service of supply and purchases* carries out deliveries of qualitative raw materials and materials which, finally, influence characteristics and quality of end production of firm.

2. *The Service of research and development focused on production*, provides creation of new sorts of production, improvement of a design of products and improvement of performance properties, increase in areas of use of production, expansion of assortment of the goods, reduction of terms of introduction of new models, increase in safety of production, increase of possibilities of a waste processing and preservation of the environment.

3. *The Service of research and development focused on manufacture*, allows to adjust performance of individual orders, to use environmental protection technologies, to raise quality and reliability of the goods, to improve exterior of production.

4. *Industrial divisions* promote decrease in number of defects in manufacture, prevention of premature refusal of products, prolongation of term of their service, increase of guarantee certificates, profitability of operation, improvement of packing of the goods.

5. *The logistics and sale Service* provides the organisation of qualitative and fast delivery of production, operative registration of the order, decrease in a cost of transportation, optimisation of stocks of finished goods and use of the warehouse areas.

6. *The marketing and servicing Service* allows to provide an individualization on such important parametres as ideal service of buyers, a technical support, granting of the information on properties of the goods,

the instruction on use, terms of sale on credit, granting большего amenities to consumers.

Buyers seldom pay for value which they do not realise, irrespective of real additional qualities of a product or service. The enterprise realising strategy of differentiation, can receive the additional extra charge to the price only when the real and realised values coincide that is provided with effective advertising and communication activity from the enterprise. Insufficient knowledge from buyers often guides to that they estimate production on such parametres as the price (when the price is connected with quality), attractive packing, image of the enterprise, the advertising maintenance, quality of printing advertising materials and presentations, company-seller services, the list of clients of the seller, relative density of the company in the market, operation time of the company in the given sphere, professionalism, exterior and character of employees of firm.

Maintenance of size of expenses for differentiation. After heads will define, what approach to creation of consumer value and reception of competitive advantage on the basis of differentiation has for them the greatest value taking into account the nature of offered production, they should for comprehensible cost give properties of production creating value. The aspiration to carry out differentiation usually increases costs. Profitable differentiation can be reached when expenses for its achievement of less increase to the price created in the market by individualising property of the goods. Usually there is effective an addition of such additional properties which cost not much, but strengthen satisfaction of the consumer. For example, free delivery and assemblage of case furniture, granting of services of the designer at complex refinishing of premises.

Differentiation allows the company to leave from straight influence of a competition at the expense of the offer of production with distinctive properties from competing products. *Unique properties of the goods are a basis for creation of a recognised or known trade mark* which gives the organisations additional competitive possibilities.

Realisation of successful strategy of differentiation allows the enterprise to get following advantages in a competition:

To create parting layers to beginners of the market in the form of adherence of consumers to uniqueness of the goods or a known trade mark which are formidable for new competitors;

To reduce the market power of buyers as production of other sellers is less attractive to them on the properties and performance properties;

To lower threat from the goods-substitutes which do not possess comparable properties and qualities.

The most attractive approaches to the differentiation, providing steady competitiveness of the enterprise, are approaches which difficultly enough or too expensive to copy for competitors.

Differentiation strategy effectively work under following basic conditions in the market:

There is a set enough solvent buyers who perceive presence of the individualised properties of the goods as value;

Production or enterprise services have unlimited possibilities for differentiation or an individualization (for example, furniture manufacture, rendering of design services);

Buyers differ various requirements and various areas of use of production or services are possible;

Only separate competing companies realise the similar approach to differentiation.

Presence of strong basis for steady differentiation is usually connected with unique experience and profound knowledge, characteristic for the enterprise. As a rule, the enterprises-leaders in the field of differentiation have more qualified personnel and use the decentralised structures of management allowing effectively to use available mental potential of the personnel. Differentiation brings more long and profitable competitiveness when it is based *on the technical superiority, a product quality, ideal service of consumers*.

At realisation of strategy of differentiation it is necessary to avoid following errors:

To excessive differentiation in which result the goods price can exceed expectations of consumers or becomes above, than at competitors, promoting sales volume falling;

Aspirations to establish too high rate of return (the above the extra charge, the is more difficult to keep buyers from transition on *более* low-cost production of competitors);

Decision-making on differentiation for lack of detailed researches of the market, ignorance of real consumer behaviour and expectations of consumers.

Differentiation strategy is *высокозатратной* and bears in itself certain enterprise risk. First, it can not pay back the enclosed long-term investments into development of differentiation and to concede to leaders in costs in a case when buyers are satisfied with standard production and they are not ready to pay higher price for additional properties of the goods.

Secondly, manufacturers of differentiated production can get into difficulties owing to corrosive actions from the strong competitors capable quickly to copy some or all individualised properties of production.

In a wood complex the majority of the enterprises of the furniture industry is realised by strategy of differentiation of production, making wide assortment of soft, kitchen, case, office furniture, sets for bedrooms, vestibules and other sorts of furniture. Apparently from a strategic card of branch (fig. 2.3), the indisputable leader in the field of differentiation is Joint-Stock Company "Пинскдрев" which makes the widest assortment of furniture production. Necessity of use of strategy of differentiation for furniture branch is proved by specificity of production, requirements of buyers. The strategic card of branch shows that the companies having the widest assortment, have essential advantages in a market dale. It means that prospects of development of the furniture enterprise mainly consist not in escalating of volumes of output, and in production differentiation, formation of own individual image and style which will be recognised on the market. Today consumers demand from manufacturers of performance of individual orders, manufacture of the furniture adapted for design and the sizes of premises that does differentiation by the most perspective strategy.

18.3. Strategy of the best cost (Optimum costs)

Strategy of optimum cost is directed on granting to consumers больше́й to cost of money at the expense of expansion or improvement of quality of services given to it. The given strategic approach combines strategy of decrease in costs with the strategy which is based on comprehensible quality, properties and goods or service characteristics. The idea consists in creation of the high value satisfying or surpassing inquiries of consumers on parametres, concerning quality, services, properties and performance properties, and surpassing their expectations concerning the price. The *strategic target* consists in becoming the manufacturer with low costs of production or services with properties above an average in branch, and then to use advantages of low costs to knocking down of the prices for products of competitors with comparable properties. Such competitive approach is called *as strategy of the best cost* as the given manufacturer has the best (smaller) costs, than manufacturers of production, comparable on a scale «quality - services - properties - goods performance properties».

Competitiveness of the manufacturer using strategy of the best cost, results from full conformity of values on the above-stated scale of quality

with parameters of production of competitors and the superiority over competitors on costs. Strategy of the best cost should provide quality with lower costs, than at competitors, provide necessary properties with lower costs, than at competitors, provide performance properties with lower costs, than at competitors etc. *the Successful manufacturer with the best cost is distinguished by that it provides the best properties of production or the services at low costs.*

Strategy of the best cost has very much great value from the point of view of a market position. Actually, it is the hybrid strategy allowing the company for achievement of the highest value for the consumer to combine competitive advantages both from low expenses, and from differentiation. Strategy of optimum costs can appear more effective approach in comparison with leaders in costs or production differentiation in the markets where many buyers are simultaneously sensitive to the price and value of the goods. As a rule, it is the markets of the countries with transitive developing economy. *The manufacturer with the best cost can establish the position in the middle of the market or with medium quality production at the price below average, or with quality production at the average price.*

Achievement of optimum costs is strong enough competitive approach which can use the enterprise in aspiration to become the manufacturer of the best in branch of production with the lowest costs. The given strategic approach can be attractive to the home producers focused on optimum costs and differentiation of production in connection with wide differentiation of consumers on level of consumer ability and expectations concerning assortment and quality of the goods. As a rule, these strategy are focused on society centre.

At realisation of strategy of optimum costs there is a risk that the company can appear clipped between the organisations aspiring to leadership in costs, and the firms spending differentiation of production. Leaders in costs can force out the company focused on optimum costs and a product quality from a segment of buyers, sensitive to the price. In turn, manufacturers of high-quality production with high differentiation will try to force out it from a segment of more provided buyers appreciating quality and individual design.

So, for example, classical strategy of optimum costs was used by ToyotaMotor company introducing in a segment of prestigious cars the elite model of Lexus at the price 10 times less the basic competitors in given segment Mercedes and BMW. The same variant of strategy was used by Nissan companies advancing in the American market the new model Infinity, and also Honda with a sports variant of new model Acura.

Strategy of the best cost in a domestic wood complex actually realises, though it and is not formalized, the enterprises taking average positions in branch, as for example, Open Society "Молодечномебель", Open Society "Мозырьдрев", Open Society "Борисовдрев", which production occupies at the price and quality presumably the average level between leaders of the market of Open Society "Пинскдрев", Open Society "Гомельдрев" and lagging behind firms of Open Society "Минскпроектмебель", Open Society "Минскмебель" and others.

18.4. Concentration strategy on a market alcove

The previous strategic approaches are focused on service of all market and groups of consumers that, as a rule, is characteristic for the large enterprises entering into group of leaders of branch. The small companies have no sufficient resources for work in all market and provide use of the local strategy concentrating attention on separate target groups or segments of the market which they can serve at high enough level. Similar strategy have received the name *of strategy of concentration*.

The *target segment, or alcove*, can be defined by the regional features which are flowing out from special requirements to use of production, or the special properties of production attractive only for participants of this segment of the market. The *strategic target* consists in maintenance of the best in comparison with competitors of service of buyers from a target alcove of the market. Concentration strategy can be based at realisation on following competitive advantages:

- 1) *Leadership in costs* before competitors at service of the selected market alcove;
- 2) *Production differentiation* according to requirements and expectations of consumers of the target market.

Concentration strategy can be the effective approach if the company is capable to provide higher degree of service of clients or smaller costs for the selected segment in comparison with the competitors working on all market. It becomes possible thanks to specialisation and purposeful use of means for advancement in the local market (segment). Concentration on certain groups of clients allows to satisfy their special inquiries to which do not pay attention the large companies (for example, children's furniture, the goods for youth or other age groups, elite expensive furniture for the provided groups of consumers, etc.).

Application of strategy of concentration. Concentration strategy on a market alcove on the basis of low costs or production differentiation be-

come attractive strategic approaches under the following conditions listed more low:

segment is great enough by quantity of consumers for maintenance of profitable manufacture of the goods or rendering of services;

segment possesses good potential of growth on the nearest and remote prospect;

segment is not vital for success of the main competitors of branch;

company possesses sufficient experience and resources for adjustment of effective service of the given segment.

company can protect itself from external threats by the benevolent relation of consumers and ability of the first class service of buyers on the selected segment of the market.

Special experience in service of a target alcove of the market creates a strong basis for protection of the company against stronger competitors of branch. Competitors serving all market can not possess such ability, or for them it appears the expensive. Experience of the company concentrating the efforts on service of a target market alcove, creates the parting layers complicating an exit on this market of other companies. Unique experience of such company creates also problems and for manufacturers of the goods-substitutes.

Concentration strategy is better works, when:

For competitors working in all market it is expensive or difficult to satisfy special requirements of participants of a target market alcove;

Other competitors do not undertake attempts to specialise on the same market segment;

company does not possess resources for expansion of the share at the expense of other parts of the market;

branch is divided into set of various segments that allows the company to select the alcove most attractive to it corresponding to its resources and possibilities.

Concentration strategy also have the lacks:

Always there is a risk that large competitors can find effective ways of extruding of the firm concentrating on service of a separate segment of the market.

Preferences and requirements of buyers of a target segment can move for the various reasons towards the goods which are in demand in all market.

target segment can become so attractive that will be very quickly filled up with competitors, reducing profitability of business.

The general characteristic and distinctive features of base competitive strategy are shown in tab. 4.1.

In a wood complex of strategy of concentration use the small enterprises and private concerns which specialise on manufacture of separate sorts of production, for example, kitchen furniture, upholstered furniture, cases-compartments and inbuilt case furniture, manufacture of a parquet, edging or not edging saw-timbers, etc. the Majority of the given companies use new modern technologies and the equipment, allowing to carry out individual orders and to raise a product quality.

For example, joint Belarus-Italian COOO «Divet» (the Lead) concentrates the attention to more provided buyers and makes kitchen and case furniture of the European quality and design on the Italian equipment the price level on which on the average makes 400-600 c.u. for running metre that practically in 2-3 times above the price of other home producers. COOO "Neman-furniture" offers rather wide assortment of kitchen furniture at the average price 300-400 euros. At the same time such large manufacturer as Open Society "Пинскдрев", letting out set various assortиментных groups of furniture production, offers narrower standard assortment of kitchen furniture at the average price at level 200-350 euros. The given examples show that concentration allows smaller firms to offer consumers more attractive services and on an individual basis that gives additional competitive advantages and allows to appoint higher prices for the production.

Table 18.1

Distinctive properties of base competitive strategy

| Property | Leadership on the basis of low costs | The wide Differentiation | The best cost | Concentration on the basis of decrease in costs and differentiation |
|------------------|---|---------------------------------|--|---|
| Strategic target | Широкий охват рынка | The wide Market coverage | The wide Market coverage The buyers attaching significance of value of production | Narrow market alcove; the separate groups of buyers preferring the goods with different characteristics |
| Competi | Lower costs, | Ability to offer the | The offer to | Lower costs or |

| Property | Leadership on the basis of low costs | The wide Differentiation | The best cost | Concentration on the basis of decrease in costs and differentiation |
|-----------------------|--|--|--|--|
| tiveness basis | than at competitors | buyer something distinct from that competitors offer | the consumer большой values for the same money | high quality, wide assortment for the selected segment of the market |
| Production | Good basic production (comprehensible quality and a restrained choice) | It is a lot of production variants, a wide choice, a dog on distinctive properties of individualised production | Good or glossy distinctive qualities, a little or many especially valuable properties | Is individualised to meet specific requirements of a market segment |
| Accent in manufacture | Continuous search of possibilities of decrease in expenses without deterioration and the basic properties | Working out of ways of creation of value for buyers, aspiration to the superiority | Acquisition by the goods of special characteristics and qualities at low costs | It is defined by concrete requirements of a narrow market segment |
| Accent in marketing | To try to put itself down to credit those properties of production which promote low costs | To specify in any properties attractive to buyers. To establish the extra charge to the price for a coating of costs on the individualised properties | To underline smaller value of production of competitors, comparing similar properties | To underline unique ability of the manufacturer to satisfy specific inquiries of buyers |
| Strategy bearer | Economically reasonable prices. All elements of strategy are directed on entering of the contribution into steady competitiveness. The problem consists in constant decrease in costs year after year and in | To make well-known distinctions. To do a dog on constant improvements and to use innovations for an advance of active competitors. To concentrate on a small amount of individualising properties, to propagandise them for creation of reputation and an attractive image of pro- | Unique experience on management of decrease in costs and improvement of quality of production or services simultaneously | To remain completely betrayed to idea of service of an alcove it is better, than competitors not to change an image of the company and not to apply efforts on penetration into other segments of the market or to addition of production of other cate- |

| | | | | |
|-----------------|---|---------------------------------|----------------------|--|
| Property | Leadership on the basis of low costs | The wide Differentiation | The best cost | Concentration on the basis of decrease in costs and differentiation |
| | all elements of business | duction | | gory for offer expansion in the market |

Thus, concentration strategy assume the offer of qualitatively different services or the goods for various groups of consumers in comparison with the offer of large manufacturers that demands use of new technologies in manufacture, management and marketing. Concentration allows to work on different alcoves of the market, reducing competition level between firms.

19. STRATEGY OF PRESERVATION (STRENGTHENING) COMPETITIVENESS OF THE ENTERPRISES

19.1. Offensive strategy

Offensive strategy is a set of strategic approaches and the methods providing increase of level of competitiveness of the enterprise in the long term and increase of scales of its activity, a share of the market with advancing rates in comparison with competitors. Defensive strategy can protect competitiveness, but they seldom happen a basis for its achievement. The period of time necessary that successful offensive strategy has led to achievement of competitive advantage, depends on concrete conditions and level of competitive relations in branch. In the most capital-intensive branches the period of escalating of competitiveness is the most long as demands considerable investments into development of industrial technologies, management, marketing, creation of a recognised or known trade mark. Competitiveness is usually reached by use of creative offensive strategy it is hard to them to resist to competitors.

In strategic management allocate following basic approaches of offensive strategy:

1) *Strategy of overcoming of strengths of the competitor* - is the strongest and corrosive offensive approach which provides approach to the market of competitors by means of the offer of same good or best production at lower price.

There are two weighty reasons to aspire to reach level of competitor firms, comparing the and their advantages, the price, model, marketing tactics and geographical areas. First, thus it is possible to try to bypass weaker competitors when the company can offer the best production and has organizational possibilities to win profitable sales and a market share from competitors less competent and possessing smaller resources. Secondly, thus it is possible to try to reduce competitive advantage of strong contenders. Productivity of such approach depends, how much competitive advantages will surpass expenses for approach carrying out. For success the attacking should possess sufficient competitive force and resources for a gain of some share of the market at the contenders. *Approach to the large well protected competitors by corrosive reduction of prices is unreasonable if attacking does not possess advantage in costs or the big financial possibilities.*

Approach to strong competitors can include following basic actions in the market:

Reduction of prices on production or services of the enterprise below level of competitors;

Advertising use in which production of the company is compared to production of competitors, and advantages of the offered goods are underlined;

Giving of production of such new properties which will be interesting to consumers of competitors;

Creation of new capacities in a working area of influence of competitors;

Exhaust of new models, in accuracy of competitor firms repeating model.

2) *Strategy of approach to weaknesses of the competitor.* At such offensive approach the company aspires to win market battle, paying special attention on weaknesses of competitors (lacks as the goods, assortment width, high costs, out-of-date technologies, low qualification of the personnel, inefficient marketing strategy, etc.).

There are next ways of achievement of competitive benefits at the expense of weaknesses of competitors:

Concentration of the basic attention and resources on those geographical areas in which the competitor has weak positions (a market share) or puts insignificant competitive efforts;

Attraction on the party of clients of those competitors which production does not differ high quality, a variety of properties and profitability of use;

organisation of special sales for consumers which do not receive due service from the competitor;

Approach to the market of the companies with a little-known trade mark, weak marketing and advertising. The enterprises with the big market experience and a known trade mark easily enough can win over clients at less known commodity producers;

offer of new models or sorts of production which brightly show backlog of the basic competitors. Often such models are issued that they became "hits" of the market and promoted creation of new growing segments, providing additional possibilities of growth of the organisation.

3) *Strategy of simultaneous approach on several fronts.* In the presence of essential competitive advantages the company can count expedient to begin the scale competitive approach including a wide set of various actions (reduction of prices, corrosive advertising, the offer of new production, free trial lots, discounts, etc.) And covering set of geographical regions or all segment of the market. The given complex strategic actions are

capable to discompose the competitor, distracting its attention and resources to set of problems and forcing to protect the consumer base in many directions simultaneously. Thus such tactics can use and weaker competitors in relation to stronger enterprises which, for example, invested considerable cash resources in building of new division and in this connection temporarily have no sufficient financial assets for attack reflexion. However, it is faster not as a rule, and as an exception.

In most cases use of strategy of large-scale approach assumes presence of a known trade mark and good reputation of the enterprise, capable to provide a wide circulation of the goods and advertising contact to the consumer. The attacking company, besides an attractive product or service, should possess a steady financial position and the resources necessary for investment in development of the trading offer. Use of the given approach assumes that the company invests considerably big means in a gain of consumers and has possibility to offer more attractive goods or services in comparison with competitors.

5) *Strategy of roundabout maneuvers*. Roundabout maneuvers are directed on an exception of straight opposition with the competitor firms, arising at the corrosive price policy, the massed advertising approach or expensive attempts to outstrip contenders in production differentiation. The strategic target provides an exit on the geographical markets on which the nearest competitors do not work or their presence is insignificant that allows weaker enterprise to fix the positions in the given territory. Initially given strategy assumes absence of sufficient resources or inexpediency of straight attack of competitors.

Examples of strategy of roundabout maneuvers concern:

Corrosive movements in those territorial areas where the basic competitors or slightly are present in the market, or in general are absent;

Aspiration to create new segments of the market by the offer of production with distinctive properties and the performance properties in a greater degree meeting requirements of certain groups of buyers;

Reorientation to technologies of new generation for extruding of existing production or productions.

As a result of such approach the company can get considerable advantage of the first course in absolutely new conditions and put competitors in position catching up. The most successful approaches such change rules of competitive game in favour of an aggressor.

6) *"Guerrilla" approaches*. Strategy of conducting "guerrilla" war is used by mainly small companies which do not possess sufficient resources and knowledge of the market for realisation of large-scale attack of leaders

of branch. "Guerrilla" approach uses a principle "blow-withdrawal", at which selective blows are struck to weaknesses of the competitor to get time advantage and to use it with benefit for the company.

There are some ways of carrying out of "guerrilla" offensive operations:

To involve buyers who do not represent special value for the main competitors of the company;

To entice the clients which adherence to trade marks of competitors weakens;

To concentrate attention in territories on which competitors have grasped too big segment of the market and have too sprayed the resources that does not allow them to serve consumers in a due measure and to satisfy solvent demand;

To give to important clients of competitors unexpected discounts for reception of the large order;

To use judicial claims with charges in infringement антитрестовского legislations, patent rights or in an unfair advertising.

7) Preventive actions (strategy of pre-emptive strikes).

With a view of protection of a favourable competitive position in the enterprise market can use advancing actions which at successful carrying out do not leave to competitors of chances to copy actions attacking. Non-reproducible competitive advantage is received by the one who will appear the first. Advantage of the first course gives the companies additional possibilities and resources which can be invested on the further development of business.

There are some ways of a gain of the best strategic position by means of preventive actions:

Escalating of capacities with advancing rates of increase of demand in the market for the prevention of the same actions from competitors;

conclusion with the best distributors and suppliers of exclusive or primary agreements on delivery of production or realisation of vertical integration back;

Preservation of the most favourable geographical position providing advantages of the trailblazer at the expense of acquisition of the rights to the most attractive allotments along transport pipe mains, in new trading working areas, places with a beautiful natural landscape, near to suppliers of raw materials or consumers, etc.;

Attraction of prestigious clients and creation of a wide client database;

Creation of unique image of the company having on consumers strong emotional impact.

Strategy of preventive actions, as a rule, are used by leaders of branch for strengthening of the position. Actually, effective realisation of strategy of an advance compels competitors to struggle for the second place in the market.

At realisation of strategy of approach it is originally necessary to analyse financial and resource possibilities of the enterprise and to define its advantages before competitors. Then it is necessary to find out what active competitive actions it is necessary to undertake and against what contenders. As a rule, the *company, intending to use offensive strategy, should possess advantage in costs or sufficient financial assets.*

The choice of optimum object for approach can include four types of the companies:

Market leaders losing positions. Offensive operations can effectively be applied to operating leaders who do not consult with the volume of work, i.e. from the point of view of quality of service and development potential is not «the true leader». It is possible to carry unsatisfied buyers To signs of vulnerability of the leader, narrow assortment of the goods, out-of-date technologies, unstable profits, an excessive diversification in other branches, distracting resources from the basic manufacture.

Companies which are playing a supporting role. Similar strategy is especially attractive, when the attacking company is guided by the competitive forces and directs them on corresponding weaknesses of competitors.

Enterprises which are on the verge of leaving from the market. Attack to the competitor being in a difficult situation, even more limiting its financial possibilities and worsening a competitive position, can weaken its resistance and accelerate process of leaving from the market.

Small local and regional companies. In view of that such companies usually possess the restrained possibilities, the attacking firm having at the order the big resources, is in an advantage for attraction of the largest and best clients on the party.

It is necessary to notice that use of offensive strategy has also essential lacks. The entrainment for strategy of price wars can provoke falling of the prices in branch and is essential undermine financial possibilities of all enterprises, lower an occupation level and create an adverse conditions for small-scale business development. Finally it can lead to certain monopolisation of the market that will be reflected also in possibilities and quality of satisfaction of constantly growing demand from production consumers. In

the developed countries even more often the large companies come to necessity of realisation of co-operative strategy.

For example, offensive strategy of Toyota - the pioneer in manufacture of cars to order. In 1999 the company has declared that begins in the USA manufacture of cars under the order with delivery in five days after order placing. This decision has been apprehended as the first step in transition from business model «manufacture for warehouses of the dealer», traditional for the USA, to model «manufacture under the order», already tested in Japan and Europe. Uniqueness of the offer consisted that other competing companies could not give similar services or terms of performance of the order made from 30 till 60 days.

Formation of strategic alliances is the most widespread variant of offensive or defensive strategy. So, GeneralElectric and SNECMA, the French manufacturer of jet engines, have agreed about long-term partnership equal in rights in creation of jet engines for powerful planes Boeing and AirbusIndustrie. Their joint venture CFM International is considered exemplary and successfully there is since 1970 Since 1980 on 1995 alliance GE/SNECMA has increased the share of the market of powerful jet engines from 35 % to 50 %. The French company of Renault has declared recently the conclusion of the union with the Japanese company of Nissan for achievement of the competitive superiority over DaimlerChrysler, GeneralMotors, Ford and Toyota which are included also into the various unions with other companies.

19.2. Defensive strategy

Defensive strategy is a set of strategic actions of the management directed on protection of available competitive advantage of the enterprise. The *purpose of defensive strategy* is risk decrease to be attacked, loosening of consequences of the undertaken offensive actions and rendering of influence on competitors for the purpose of carryover of their attention to other contenders. *Defensive strategy usually do not strengthen competitiveness of the company, they help to strengthen its operating market positions.* Creation of reliable protection and realisation of defensive strategy demand considerably smaller expenses in comparison with offensive strategy. Besides, these strategy do not create threat for contenders as do not assume the corrosive actions directed on grasp of a share of the market of competitors.

Allocate two basic types of defensive strategy - *blocking of attacks of competitors and precautionary actions.*

Strategy of blocking of attacks of competitors assume creation of certain parting layers to application of offensive strategy from competitors. Good defensive strategy provides fast reaction to change of a situation in branches and timely use of anticipatory actions. Thus more effectively active, instead of passive defence.

There is a set of various ways of the defensive actions directed on protection of competitive positions of the company:

Expansion of the nomenclature and assortment of let out production for closing of vacant alcoves for possible approach from the competitor;

Introduction of models and the marks of production corresponding under characteristics of that production which already is available for competitors or can be at them;

Maintenance of the low prices for production which to the greatest degree corresponds to production of competitors, the offer of low-cost or free training of consumers of production;

conclusion of exclusive agreements and granting of discounts to dealers and distributors for a non-admission of use by competitors of the best channels of distribution;

Carrying out of timely advertising on a conclusion of new production to the market or reduction of prices for deduction of the clients from transition to production of competitors;

Expansion of guarantee certificates;

Use and patenting of alternative technologies, protection of the property rights to the know-how concerning a design of products, to industrial technologies and other strategically important elements of a chain of expenses;

conclusion of exclusive agreements with the best suppliers for blocking of access of competitors to the given resources;

presentation of claims to production and business practice of competitors in telltale and judicial bodies.

Precautionary actions are directed on demonstration of ability of the company to undertake effective retaliatory measures on offensive actions of the competitor. The purpose of such demonstration - to prove to the competitor inexpediency of application of corrosive tactics owing to presence of sufficient resource base for attack reflexion. The problem consists in prevention of offensive operation of the competitor which can have destructive character for both companies or branch as a whole.

Probable aggressors can be warned a way:

Management obligations to provide an invariance of the running share of the market of the company;

public announcement of plans of creation of adequate capacities for satisfaction of predicted growth of demand for branch production;

Preliminary distribution of the information on new production, technological break or planished exhaust of new sorts of production or models for the purpose of time restraint of actions of potential aggressors;

public statement about adherence of the company to the politician of conformity to conditions or the prices of competitors;

Messages on presence of backup fund (securities);

Realisation of rigid counteractions against weak competitors for increase of the status of the company as good defender.

The enterprises with a view of protection of the market can use and other tactics. As a rule, the main reason for stimulation of offensive actions of competitors is high profitableness of the attacked company. In this situation some firms, especially to be protected from beginners, refuse reception of short-term profit and use methods of the financial reporting, allowing to underestimate real indicators of profitableness of business (for example, at the expense of increase in investments into long-term projects, building or opening of new divisions, etc.).

19.3. Strategy of vertical integration

Strategy of vertical integration is a process of creation new or acquisitions of the existing enterprises with a view of wider coverage of a branch chain of costs at all stages of manufacture and production realisation. Vertical integration expands competitive horizon of the company in the same branch at the expense of increase in sphere of activity of the company in maintenance with raw materials or in a direction of end users of finished goods.

Strategy of vertical integration can be aimed on *full* (participation in all links of a branch chain of costs) or *partial integration* (the supervisory control of some links of a branch chain of expenses). Depending on a direction of participation in a branch chain of costs distinguish two sorts of strategy: vertical integration back and vertical integration forward.

Vertical integration means development of own raw-material base and creation of manufactures or purchase of the operating enterprises of suppliers of raw materials, materials *back*. Realisation of similar strategy has economic sense in the event that manufacture of raw materials within

the limits of the company will appear less затратным, than at external suppliers or will solve problems of timely maintenance of the basic manufacture by necessary resources. Anyway vertical integration has a certain reserve in the efficiency, connected by that suppliers, as a rule, can put the risen profit in the final price of production back. The last often grows out of presence of certain monopoly in raw branch.

Vertical integration forward - creation or development of own wholesale and retail trade that also allows to supervise level of costs and profits in the given sphere and to spend a purposeful pricing policy. As a rule, activity of independent channels of distribution is difficult enough for regulating that complicates company possibilities to supervise level of the price for the goods, arriving to the end user. In this chain there can be some intermediaries that essentially increase the final price and reduce possibilities of expansion of sale of production of the manufacturer. It is considered that about 50 % of the price of the goods make costs and profits of wholesale and retail trade. As a result, integration forward allows to appoint more competitive prices, operatively enough to trace through the trading firms and shops of vacillating of a consumer demand, to realise the general policy of the prices.

At realisation of strategy of full vertical integration of digging completely covers all stages of a branch chain of costs from manufacture or extraction of raw materials before deep processing and realisation of production of the enterprise to directly end user. This approach is actual enough at realisation of strategy of leadership in costs as allows to supervise and effectively to operate process of formation of expenses.

Advantages of vertical integration. Strategy of vertical integration leads to success only when it considerably strengthens a competitive position of the company. *The unique essential reason of a nesting of money in vertical integration is reception of economy of expenses.* Until then while vertical integration does not create sufficient economy of expenses for repayment of additional investments or does not lead to competitive advantage, it does not justify herself both from the point of view of profit, and from the point of view of strategy. Integration creates economy of expenses only back when for economy reception on activity scale, not smaller, than the sufficient volume of production is required from other suppliers or when production efficiency of external suppliers can be reached or exceeded.

Vertical integration can create competitive advantage on the basis of differentiation when the company by means of those possibilities which could not be used earlier, will offer in the market production or more quali-

ty services back, will expand volume of the services given to consumers, or any other ways will improve performance properties of the end-product.

Integration can lower also uncertainty of the company work, connected with dependence on suppliers of the main completing products back, and to reduce vulnerability of the company in relations with large suppliers who are ready to rise in the price at each opportunity. Creation of stocks, the conclusion of contracts with flat rates not always are attractive ways of decrease in uncertainty in the conditions of deliveries.

To the enterprises which are at suppliers in the end of the priority list, it is necessary to wait long for deliveries every time when suppliers have difficulties. If it happens often and brings a disorder in own manufacture of firm and in its structures working with consumers integration can appear very useful strategic decision back.

Independent trade channels prefer to work with production which is better is on sale that can be also certain restriction for the manufacturer. Therefore integration forward can improve a situation with sales. Integration forward up to the structures directly working with the end user, can lead to relative advantage in costs and to lower prices for the end user thanks to an exception of set of the costs connected with usual channels of wholesale and retail trade.

Vertical integration possesses also some essential lacks. First, it guides to increase of capital investments of the company in branch, increases enterprise risk and often selects financial resources at other more valuable areas for investment. A large lack of vertical integration is that it fixes the company in branch even more strongly. While work on *большем* number of links of a branch chain of expenses will not create competitive advantage, integration can be considered as the doubtful strategic decision.

Secondly, integration forward or leads to dependence of the company on own structures and sources of deliveries which can appear more expensive, than external deliveries back. Besides, high level of a competition in raw branches, specialisation and activity scales can be at the bottom of leadership in costs of external suppliers of raw materials, materials.

Thirdly, vertical integration can create problems of equation of manufacture at each stage of a production cycle. At primary financing of raw divisions the basic manufacture and development of trading-marketing structure, and on the contrary can suffer.

Fourthly, integration forward and back often demands experts with absolutely different qualification and different enterprise possibilities. Manufacture, wholesale distribution and retail trade are different sorts of business with various key factors of success in spite of the fact that physi-

cal production can be identical. As a result, the management can appear insufficiently competent at management of new divisions of the enterprise.

And the last, vertical integration back towards manufacture of component parts and completing products reduces industrial flexibility of the company, increases time necessary for modification of design and a design, and also time for exhaust of new production for the market. Besides, essential integration of business at integration reduces level of controllability the organisation.

Recently some companies have come to a conclusion that considerable integration is конкурентно unprofitable therefore they have passed to strategy of vertical decomposition (outsourcing). Decomposition (outsourcing) includes removal of some stages or structures from a chain of formation of expenses and transfer to their foreign suppliers providing the company by necessary products, services, and also carrying out certain functions.

Use of the foreign organisations for swapping of those structures which were earlier in the enterprise, expediently, in following cases:

Work can be executed better or more low-cost experts of the foreign organisation;

Function is not the vital company for ability to reach steady competitiveness;

At decrease in risk of the enterprise in case of transition to new technologies or changes of preferences of consumers;

At increase in organizational flexibility, reduction of duration of a production cycle that will accelerate decision-making and will cut down expenses on co-ordination;

In need of concentration of attention and resources on the basic business, its development компетенций and potential.

Definition of sorts of activity in a branch chain which are more favourable for carrying out independently and what to transfer to external suppliers is important enough.

Strategy of vertical integration are characteristic for many large domestic enterprises especially occupied in sphere of manufacture of end-products. The majority large деревообрабатывающих the republic enterprises the лесозаготовительные have the manufactures providing the basic manufacture by woody raw materials, and also firm trade (the furniture enterprises). For example, Joint-Stock Company "Пинскдрев" has a network of representations and firm shops in Pinsk, Minsk, Brest, Moscow and other cities of Belarus and Russia that characterises wide integration forward towards wholesale and retail trade, providing good possibilities for ad-

vancement of production and the supervisory control of channels of distribution, realisation of a uniform price policy of the enterprise in various regions.

20. DIVERSIFICATION STRATEGY

20.1. Introduction strategy in new branches

New perspective branches differ high rates of increase and possibilities of reception of higher profit on the invested capital in comparison with traditional branches or products. Therefore the entrance point in new branches for диверсифицированной the companies can open new possibilities from the point of view of profitableness of business. The entrance point in new business can have one of three forms: *acquisition, creation of the new company in old and joint venture.*

Acquisition of already existing business(company) is the most popular means of a diversification in other branch which advantage consists in the fastest exit on the new target market. Acquisition can be carried out in the form of absorption or merge.

Company absorption means attempt (often unexpected) one firm to get the property right or the supervisory control over another (by buying up of its actions in the market) against desire of a management of last. *Merge* is, as a rule, the voluntary decision of a management on association (or sale) the enterprises. This way helps the company spending a diversification to overcome such parting layers on an entrance point in new branch as presence of qualified personnel and the adjusted channels of distribution, client base, acquisition of technological experience, an establishment of mutual relations with suppliers, achievement of such scale which would allow to raise efficiency and to achieve lower specific expenses for a unit of production in comparison with competitors, increases in publicity expenses and advancement of production for popularity acquisition in the market.

However the most difficult problem is the finding of that company which should be got. The serious dilemma rising before company management, intending to make purchase, consists in a choice between successful, but the expensive company, and hardly surviving, but low-cost. As a rule, perspective and высокоприбыльные firms are not tested on cost.

The *test for cost of an entrance point* demands, that the expected stream of profit of got business created the attractive income on general expenses for purchase and for any new capital investments necessary for maintenance or expansion of its activity. The test for cost there pass the companies which are occupied in perspective spheres and possess growth potential, but at present for whatever reasons (the low sales volume, an unknown trade mark, high debts, etc.) have the underestimated market cost. At certain reconstruction these companies can become высокоприбыль-

НЫМИБИЗНЕСАМИ. Therefore, if the buyer sees perspective ways of transformation of weak firm in strong, has for this purpose necessary means, a know-how and patience the weak company can appear the best object for long-term investments and is capable to improve an enterprise financial position.

The diversification can be carried out by *creation of new own firm, the enterprise* «under an umbrella» all company (joint-stock company) for participation in a competition in the desirable new market or business sphere.

Creation of the new company for an exit on the markets of new branch optimum, when:

- 1) there is enough time for its full input in action;
- 2) the companies operating in the market, most likely, will react poorly and inefficiently to attempts of the beginner to split the market;
- 3) such exit on the market demands smaller expenses, than company acquisition;
- 4) the company already has all or the most part of that knowledge and experience which are necessary for an effective competition;
- 5) creation of new capacities will not render negative influence on balance of supply and demand in branch;
- 6) in target branch there is a set concerning small firms and consequently the new company will be not directly not resisted by large and stronger contenders.

Joint ventures are convenient way of reception of access to new бизнесам, at least, in situations of three types. First, joint ventures are a good organizational form for realisation of such activity which is uneconomical or too risky for one company. Risk parting between two or several companies will raise probability of realisation of the new brave project. Secondly, joint ventures make sense, when association of resources and experience of two or several independent companies creates the organisation possessing all necessary, to become strong competitor and to resist to a global competition. In this case each of associates introduces knowledge and resources which are not present at others and which are necessary for success achievement.

In the third, joint ventures with foreign associates at times are the unique or best form of an exit on new foreign markets and overcomings of import quotas, tariffs, national and political interests, cultural barriers. Economic, competitive and political realities of national environment often demand that the foreign company for access reception on the national market of other country was consolidated with home producers of the given country. Local associates create for the foreign companies the certain ad-

vantages consisting in knowledge of local conditions, granting of the operating and marketing personnel, and also in access to local channels of distribution.

In joint ventures often there are difficult questions: how to divide work between associates and who should carry out efficient control, whether it is necessary to use local raw materials or is better to import foreign, what part of production should be exported, to that there should correspond production processes - to standards of the foreign company or local size standards that complicates possibilities of adjustment of effective communications. The given reasons often enough become the main reasons of closing of joint ventures at not a finding of conciliatory proposals between local and foreign associates.

20.2. Strategy of a related diversification

Strategy of a related diversification means introduction in бизнесы, possessing defined by "strategic conformity» and possibility of use of related technologies in manufacture, sale, marketing. Strategic conformity exists, when the various enterprises have related enough production cycles from what important possibilities for *carryover of qualification and experience from one sphere in another and combination of related divisions of separate fields of activity for the purpose of decrease in costs* follow. The diversifitsirovannaja company using coherence of production cycles and taking advantage from strategic conformity reaches большей general productivity, than the sum производительностей which would have the enterprises at work independently from each other. Presence of strategic conformity inside диверсифицированного a portfolio бизнесов in a combination to energy and qualification of company management in use of competitive advantages from interaction of the enterprises allows to receive *синергический effect* of a related diversification ($2 + 2 = 5$) which becomes a competitiveness basis. The *related diversification is done attractive by possibility to transform strategic conformity in competitive advantage*.

The Синергический effect consisting in additional efficiency and competitiveness диверсифицированной the companies, is provided with following major factors:

Possibility of decrease in expenses at the expense of growth of scales of activity, use of already involved qualified personnel in management, marketing, sale and production distribution at creation of new manufacture (enterprise), carrying out of joint advertising campaigns, research and development, etc. For example, Open Society "Гомельдрев", having a

network of representations in other cities of Belarus and the Russian Federation, can organise sale of production of new manufacture (enterprise) through already available channels of distribution that will lower expenses for advancement of production both new, and former sorts of primary activity;

Technology or know-how carryover, a know-how on the new enterprise and maintenance of additional differentiation of production, servicing improvement of quality, granting of a new complex of services. For example, on the basis of Open Society "Минскпроектмебель" design office it is possible to create the design centre rendering services in designing of new models of furniture for Open Society and other enterprises of branch on a paid basis;

Use of advantages of a known trade mark (brand) at realisation of production of the new enterprise (manufacture) in the same branch. For example, sale of door units or other production under proved trade mark of Joint-Stock Company "Пинскдрев" will have *большой* success, than under a company name unknown to consumers of the manufacturer;

Acquisition of such new business (the enterprise, firm) which will improve position of the company in its former field of activity. For example, the large manufacturer having the big turns and corresponding costs on advancement, advertising, can count expedient to get or create own advertising company.

The diversification in related fields of activity gives possibility of acquisition of additional competitive advantages and strengthening of market positions of the company thanks to presence of *strategic conformity of the related markets, industrial and administrative conformity*.

Strategic conformity of the related markets. Various possibilities of economy of expenses flow out from strategic conformity of the related markets (or scale effects), use of uniform marketing service for all related products instead of separate marketing services for each enterprise, propagation of related products in one advertisements or printing materials, application of a general trade mark, shipment and delivery co-ordination, aftersales service and repair association, co-ordination of processes of registration of orders and an extract of accounts, carrying out of general publicity. Such strategic conformity of the related markets usually allows the company to save on cost of marketing, sales and distribution.

Industrial conformity. Various fields of activity possess industrial conformity when there are potential possibilities for sharing of capacities or qualification of the personnel, realisation of scientific researches and workings out, development of new technology, manufacture of component parts,

definitive assemblage of products or performance of functions of administrative support. It allows to optimise a manufacturing costs of all company.

Administrative conformity. This type of conformity arises, when work of various fields of activity is connected with approximately identical enterprise, administrative and workplace issues that allows to transfer administrative technologies and a know-how from one enterprise on another, the companies entering into general structure (or Open Society). Such carryover of administrative experience can be carried out in any point of a chain of costs: on blueprint stages and introductions of production, the organisation of supply of raw materials and materials, managements of the finance etc. the Related diversification in this plan allows to save administrative costs on product unit because the part of constant costs of the operating enterprises is re-layed on production of new manufactures.

The basic lack of a related diversification is increase of enterprise risk. The nesting of means in development of business within the limits of one branch can lead to sharp deterioration of a financial position of the enterprise at essential vacillatings of demand for production of this branch or for other economic reasons. Therefore some large enterprises use alternative strategy of introduction in different branches of economy for increase of financial stability.

20.3. Strategy of an unrelated diversification

Strategy of an unrelated (conglomeratic) diversification assumes penetration into any branches and бизнесы, promising financial benefits. Formation of "portfolio" unrelated бизнесов in company structure (the joint-stock company or the holding company) allows to distribute enterprise fixed capital between different spheres of economy and to lower level of the enterprise risk connected with possibilities of stable long-term development. Use of mutual relations of strategic conformity in this case is secondary.

The *basic precondition of an unrelated diversification* consists that any company or firm which can be bought on favourable financial conditions and which has satisfactory prospects of profit, represents good object for a diversification.

The companies using strategy of an unrelated diversification, concentrate the attention to such companies-candidates on acquisition which offer possibilities of fast achievement of financial benefit because of them «special position»:

Companies which actives are underestimated. Possibilities consist in acquisition of such companies at the price below market and reception of a financial prize at the subsequent resale of actives after restructuring and perfection.

Companies testing financial hunger. Such бизнесы it is often possible to buy at the low price, to reconstruct their work by means of financial resources and administrative possibilities of the parent company and to provide their high enough profitableness, rates of increase of scales of activity.

Companies having good prospects, but having deficiency of capital investments. Poor funds, but firms rich with possibilities usually happen most desired "extraction" for powerful financially and the companies searching for new possibility. The given firms, as a rule, are the beginners of the market offering the new goods, technologies but who for achievement of profitable sales volume demand considerable volumes of investments which they not in a condition to generate at an initial stage of development of business. For this reason the diversification is the mutually advantageous transaction for both companies.

Unrelated, or conglomeratic, the diversification possesses appeal from the several financial points of view:

1) *The Enterprise risk is distributed on several various branches* that does the company less dependent on one business. The unrelated diversification is the best way of dispersion of financial risk as company investments can be distributed in a range of more various and absolutely various fields of activity.

2) *Financial resources can be invested in the most profitable and быстроразвивающиеся branches.* Traditional fields of activity of the company can have certain problems of stagnation in development. Therefore, it is more expedient to invest in this case company's resources not in the further development of own business, and in other branches having the best prospects of growth of profit. Also обоснованно in case in operating branch the enterprise has reached it of the maximum volume of output and sales, and the further escalating of scales will lead to overproduction.

3) *Stabilization of long-term profitableness of the company.* At an unrelated diversification losses in one branches can be compensated by profits in other fields of activity. The case when cyclic recessions in one бизнесах are counterbalanced by cyclic ascending gradients in other branches in which the company was diversified is ideal.

4) *Acquisition of low-cost firms with concealed potential of growth.* Acquisition of such firm can essentially raise cost of a share price

of the company-buyer. However possibility of a finding of such favourable object for a diversification will depend on an insight of the top management, its objective estimation of prospects of development of the and got company

5) *Use of a known trade mark.* At an unrelated diversification as actually and at related, the company can use an available known trade mark in advancement of the goods of the new enterprise that will raise a break-even sales level and profitableness of business in comparison with little-known manufacturers. Often enough known corporations use the popular trade marks at an exit in new branches that gives them primary chances for the organisation of effective business in a new field of activity.

Though in the theory of an unrelated diversification it is considered that it possesses potential for increase of stability of sales volumes and profit in the course of movement of the company along a business cycle, in practice all attempts *противоциклической* diversifications have ended with failure. The overwhelming majority of branches test identical influence in the conditions of dynamics of economic growth. As a rule, recession occurs in many branches of economy, having general negative impact on wide *диверсифицированную* the company including.

The basic problem of an unrelated diversification consists in definition of degree or widths of coverage of various branches of economy at formation of an enterprise portfolio. The more the width, the is more difficult to provide effective co-ordination of the entering enterprises and general financial stability. As a result, the management should weigh the additional costs connected with a management, with financial benefits from a diversification.

Lacks of an unrelated diversification:

given strategy is the pure financial approach directed on creation of a market stock value while the related diversification is the strategic approach;

Does not create competitive possibilities on the basis of strategic conformity since at an exit in other branches of the company it is necessary to compete to a new external environment, and the organisation of new business does not render straight influence on level of costs or profits of other manufactures, indirect influence through cross financing is possible only;

Insufficient competence of the top management at management of the various enterprises entering into structure of the company and concerning different sectors of economy. As a rule, in different branches (manufacture, trade, consulting services, banking, etc.) operate various fac-

tors of success. Therefore to provide an effective management in such company it is difficult enough.

It is necessary to notice that the unrelated diversification was popular enough in 1960th. During the period with 1959 for 1969 a share of the companies with a unique sort of business in list Fortune 500 has decreased from 23 % to 15 %, at the same time the share of pudding stones without a dominating sort of business has increased in total number of the companies from 7,3 % to 19 %. Interest to an unrelated diversification stimulated growth of exchange quotations. However, now it is considered that the unrelated diversification of 1960th was an error. On the average, the got companies are not become more profitable. Moreover, the majority of them in a consequence were дивестированы. On M.Portera's researches during the period with 1980 on 1986 74 % from earlier got unrelated бизнесов have been sold.

20.4. Curling and liquidation strategy

Even the thought most over strategy of a diversification can lead to acquisition of business which becomes in due course inefficient or will not justify expectation concerning profitableness. *Curling and liquidation strategy* is in that case used.

Efficiency of realisation of strategy of the enterprise is influenced by set of situational factors which cannot be completely considered at a stage of mapping out of strategy and its possible financial prospects. Besides, long-term appeal of business eventually changes. Actions proved enough today on a diversification can appear tomorrow erroneous. Can occur and so that some enterprises, despite their good financial position, cannot effectively work with other divisions of the company as it was supposed originally. Sometimes the diversification represented reasonable from the point of view of strategic conformity, leads to conflicts, ethical values, inadmissible from the point of view of cultural conformity. Absence of general moral values and cultural compatibility between various sorts of the enterprises can become a barrier to a diversification in branch with high potential of sharing of technologies, industrial conformity and some coincidence of channels of distribution.

Therefore, if the company management comes to conclusion that any manufacture or the enterprise entering into structure of business, any more does not possess strategic conformity or becomes unattractive for the further investment it is necessary to consider possibilities of its liquidation or sale.

With a view of a non-admission of an exhaustion of resources and preservation of sufficient liquidity the large companies aspire to get rid of the unprofitable or unpromising enterprises as fast as possible. It allows to keep fixed capital and to liberate resources for a coating of losses. The problem of reduction of business in the best condition for sale can be the unique reason of a delay with the decision of this problem. The more the enterprises enters into structure диверсифицированной the companies, the it is more probability that it should get rid of inefficiently working enterprises ("goods-dogs" or not having strategic conformity).

Liquidation can be carried out in one of two forms:

parent company can allocate business in separate financially and управленчески independent firm in which it can keep or not keep a share in the property, depending on what prospects of development the given firm has;

parent company can sell business (manufacture) as the part for the buyer offering the best conditions for acquisition. For a ceiling price, as a rule, can buy the enterprises to which the given manufacture (business) most of all approaches or possesses strategic conformity.

At all strategic alternatives liquidation - the most unpleasant and painful action, especially in a case недиверсифицированного the enterprises when it means the termination of existence of the company. For диверсифицированной the companies of difficulty connected with liquidation of workplaces, enterprise closing etc. though cannot be reduced, but leave chances of normal work of other enterprises which often start to work more effectively after re-structuring of the company and its debts. In hopeless situations early liquidation in a greater degree protects interests of shareholders, than inevitable bankruptcy. Long struggle in a hopeless situation exhausts resources of the organisation and leaves ever less material assets. Nevertheless, before to use similar strategy to a management it is necessary to weigh all pro and contra, to estimate real prospects and possibilities of the further development and "portfolio" structure.

20.5. Strategy of reorganisation or reduction of the company and Portfolio re-structurings

Strategy of reorganisation, reduction and portfolio re-structuring are used with a view of "improvement" of a portfolio entering бизнесов in company structure. The difficult situation can be result of substantial damages in one or several divisions reducing general financial indicators of the

enterprise, a great number of manufactures in unattractive branches, recession in the economy, negatively affecting many constituent parts of the company, excessive pressure of debts or incorrectly carried out acquisitions which have not justified expectations of a management or shareholders.

Reorganisation strategy concentrates attention to the actions directed on transformation of unprofitable manufactures in profitable, instead of on their liquidation. Reorganisation strategy are most comprehensible in situations when the reasons of bad work of division are short-term, and having problems of the enterprise and their field of activity are in attractive branches. Therefore liquidation of temporarily unprofitable divisions has no long-term strategic sense.

Reduction strategy include narrowing of a range of a diversification to smaller number of the entering enterprises. Such strategy is usually realised, when the company management decides that it is too wide диверсифицирована and that it is necessary to concentrate efforts to several principal views of activity.

Reduction is usually carried out by liquidation of those enterprises or manufactures, which are too small to bring the appreciable contribution to general profit of the company, or what have insignificant conformity (or at all have no conformity) with the basic fields of activity. Liquidation of such manufactures liberates resources which can be used for reduction of a debt or primary activity expansion.

Strategy of re-structuring of a portfolio include radical reorganisation of structure of a portfolio of the company and a share in it defined бизнесов (enterprises) of various types. *Portfolio re-structuring* provides large strategic actions on reorganisation of structure of business of the company by a series of sales and acquisitions.

Portfolio re-structuring бизнесов is expedient at performance of any of listed below conditions:

When the strategy analysis shows that company prospects become adverse that the portfolio contains too much slowly growing, fading or konkurentno-weak бизнесов (products);

When one or several cores бизнесов company (products) became a victim of a hard time;

When the new managing director makes the decision on change of a line of activity of the company;

During flow of new technologies and production when change of structure of a portfolio is necessary for creation of a new position in potentially large new branch;

When the company has unique possibility of acquisition of so large enterprise that it demands sale of the several old enterprises for financing of this transaction;

When the basic divisions or a portfolio of the goods become all less attractive and it demands reorganisation of a portfolio for maintenance of long-term prospects of growth of the company.

Portfolio re-structuring usually includes both liquidation old, and creation new бизнесов. Candidates on an exception become not only the weak or astably working enterprises or those from them which are in unattractive branches, but also what have lost strategic conformity (even if they remain profitable and work in enough attractive branches). Many it is wide диверсифицированные the corporations disappointed with work of some enterprises got by them and experiencing difficulties in management by set unrelated бизнесов, restructure the portfolios for narrowing of area of primary activity and increase of level of controllability by the organisation as a whole.

20.6. Strategy of the international diversification

Distinctive features of *strategy of the international diversification* are a diversification in various fields of activity in the various national markets. The diversification in the international markets can be carried out as within the limits of related, and unrelated branches. In such situation from a management working out and realisation of considerable number of strategy, at least, on one for each branch with such number of variants for the national markets which is comprehensible to the given situation are required.

The *purpose of strategic co-ordination* at level of headquarters of the company consists in a direction of all power of corporate resources and possibilities on the decision of a problem of preservation of steady competitive advantages in each business and in each national and global market. Development of the international diversification occurred in some stages.

Till 60th years of the last century multinational corporations used the sufficiently the independent branches located in the various countries, for service of requirements of the local national markets. The management purpose at level of headquarters of corporation basically was limited to functions of management by the finance, transfers of technology and export co-ordination.

However within 70th years of strategy, сориентированные on the account of local conditions, began to lose the efficiency. The competition

was developed on a global scale in the increasing number of branches as the Japanese, European and American companies carried out the international expansion. On international scene competitive "wars" in many branches has risen with national on global level because of strategy of global competitors (generally Japanese), strong market positions including grasp in other countries at the expense of the offer of lower prices and more quality, than were available for other companies. With a view of reflexion of threat of global competitors, the international corporations (multinational corporation) have been compelled to integrate the activity in the various countries for the purpose of increase of efficiency and decrease in a manufacturing costs.

In 80th years there was one more source of competitive advantage: construction of stronger competitive position simultaneously in several related global branches by means of strategic conformity of a related diversification.

The related diversification is most capable to create competitive advantage of the multinational company when its experience in the basic technology can be used in other branches and when the considerable scale effect takes place and advantages of a trade mark can be extended to group related бизнесов. For example, Honda company makes cars, motorcycles, lawn movers, generating assembly units, suspended boat cars and garden motor-blocks in which basis the technology of petrol engines is put. The basic strategy of the company of Honda consists in use of experience of the company in the field of technology and manufacture of petrol engines, and also in the world popularity of a trade mark of Honda.

Sources of competitive advantage диверсифицированных multinational corporations.

The multinational corporation possesses experience in the basic technology and, carrying out a diversification in group of related products and бизнесов and centralising at level of headquarters of corporation work in the field of scientific researches and workings out, provides creation of real potential for reception of competitive advantage on the basis of advanced technology on all бизнесам, and also workings out of new products.

The second source of competitive advantage for multinational диверсифицированных the companies is connected with advantages of systems of distribution and popularity of a trade mark which can accrue at diversification realisation in related global branches. For example, companies Sanyo and Matsushita raise the possibilities in the field of distribution, reduce the expenses connected with storage and distribution of production

with use of system of deliveries «is exact in time», and create the big popularity of production.

Недиверсифицированные multinational corporations and the local companies have weak positions for protection of the market position against resolute attack multinational диверсифицированной corporations.

Ability диверсифицированной multinational corporation from year to year to support the prices breaking competitors flows out or from advantage in the costs, created by strategy of a related diversification, or from readiness for cross financing of low profits or even losses at the expense of incomes of profit in other countries and-or profits on others бизнесов. In most быстроразвивающихся the multinational corporation countries form so-called "reserves" have arrived, compensating losses in other national markets.

At the expense of placing of manufactures in profit "reserves" many companies reach considerable successes in the field of leadership in costs and in the market. For example, in the American market of videorecorders the share of Japanese trade marks reaches 40 %, however all of 100 % of videorecorders are made in Japan, in the market of microwaves to Japanese marks belongs less than 50 %, thus more than 85 % of the furnaces sold in the USA, also are made by the Japanese enterprises. Company Sumsung - the leader in working out of chips of memory, has based research laboratory in a Silicon Valley and has transferred the know-how to the South Korean enterprises. Applying deliveries «it is exact in time» and placing manufacture of accessories near to the assembly enterprises, the company has reached considerable advantages in costs before other manufacturers. Company Wal-Mart, being the largest network of retail trade in the USA, quickly masters the new markets in other countries and reaches their profitability at the expense of distribution of the saved up experience of sales and application of discounts in the field of activity.

21. THE GEAR OF REALISATION OF STRATEGY

21.1. Actions for personnel maintenance Strategic process

The problem of the manager realising strategy, consists in transformation of the strategic plan in the concrete actions necessary for achievement of the set strategic and financial purposes. However, strategy carry out not the organisations, and people. The subjective factor at times can play a leading role in efficiency of strategy. The personnel can interpret new strategy on a miscellaneous, test uncertainty concerning necessary changes in their departments. The settled traditions, interests, inertia and the taken roots customs can become a barrier at strategy realisation. Therefore one of factors of *successful realisation of strategy is effective communications and co-ordination of activity of employees*. The company management should formulate so accurately and convincingly necessity of organizational changes that all irrespective of a post have felt the responsibility for realisation of strategy and achievement of the put strategic targets.

Effective realisation of strategy in many respects depends on qualification of the personnel, competitive skills and the effective internal organisation. Improvement of quality of the given factors - the primary goal of realisation of strategy. In this connection organizational measures on management of strategy include:

1. Selection of qualified personnel on key posts.
2. Organisation Maintenance with necessary skills in activity principal views, administrative shots, technical knowledge and competitive possibilities (the superiority before competitors on such parametres as the price, quality, technologies, shots etc.).
3. The Organization of economic processes and acceptance of the administrative decisions promoting realisation of strategy.

Selection of shots on key posts. Creation of a strong administrative team with necessary personal qualities and industrial skills - one of the first steps in business of realisation of strategy. The organisation management, first of all, should generate such working group of managers which will possess a totality of qualities for the decision of strategic problems and problems. In any other case while key posts will not be filled by capable and skilled people, strategy cannot be realised.

In certain situations when serious changes of the strategic course, quite enough an administrative team existing at the enterprise are not provided. In other cases, at strategy change, it is often necessary to strengthen

or expand an administrative team by a telescoping of the most qualified employees on key posts or attraction of managers from the party whose preparation, the views and style of a management approach for a concrete situation.

Thus foreign practice shows that attraction of employees from outside considerably concedes strategy of advancement of own employees. As a rule, the heads employed by the organisation from outside, often enough face serious problems of internal communications. Already developed collective perceives the person from outside as a stranger on which place there are worthy candidates. It does not allow to generate a condition for normal work of collective. Sometimes some years for this purpose are required. Therefore, leaders of the market are guided by investment in development and training of own employees, their advancement on key positions in the organisation, including at formation of administrative teams on strategy realisation.

Creation of a strong team of managers with a good combination of personal qualities and a complex of necessary skills and abilities is one of the main elements of an organizational control gear strategy. Command management actually is poorly developed in practice of the domestic enterprises. Its use could promote essential increase of efficiency of use of human resources. The given resource potential is claimed for today by the organisation only partially that essentially reduces its economic possibilities.

Competence increase. Formation of skills and organizational abilities which competitors cannot surpass - is a reliable basis for reception of competitive advantage. In this connection the completion problem (competence increase) organizational divisions the experts providing the superiority of firm over competitors in one or several solving fields of activity (the best methods of manufacture, more successful working out of production, better service, fast reaction to changes of inquiries of buyers, more effective decrease in expenses etc.) is not less important.

Vocational training and retraining are important elements of process of realisation of strategy when strategy demands new (other) skills, approaches and operational methods. If the selected strategy assumes new skills and an excellent know-how personnel training should be on one of the first places in the program of actions. In this connection the management should provide professional training service with sufficient resources and effective curriculums for superiority achievement in knowledge and experience.

The important place in system of realisation of strategy occupies construction of *effective information system of maintenance* of managerial pro-

cess and system of the strategic supervisory control (strategic supervision). The enterprise should generate the own system of the strategic supervisory control adapted for perspective indicators of realisation of strategy and providing possibility of supervision of crisis situations in branch (item 2.6 see. System and levels of the strategic supervisory control).

Important element of effective personnel maintenance of strategy is use of *collective forms* of acceptance of strategic decisions. Use of the given forms allows to realise a principle of joint activity of the personnel within the limits of strategic process that gives the chance to develop at the expense of alternativeness of opinions real strategy and a series of measures, *взаимосвязанных* with resource potential of the enterprise and environment possibilities. The Japanese companies which experience now actively is adopted by the American and European companies have achieved the greatest successes in development and application of joint management methods. The comparative characteristic of Japanese and American model of management is presented in table 8.1.

The Japanese model of management is characterised by especial philosophy «All of us one family» that means necessity of maintenance of normal relations with workers and their consideration as basic value of the organisation. It is realised by means of such approaches, as lifelong hiring of the personnel, stimulation of informal relations, absence of special privileges at the top management, rotation of shots, collective guidance systems (quality mugs, «канбан» or is exact-in-time"). Managers in the Japanese company have no own office, and together with employees take place in one open hall without the parting walls, equipped with simple and most necessary furniture. All workers and heads, as a rule, are dressed in an identical uniform that underlines absence of a difference between managers and workers that promotes joint collective work. Before the beginning of the working day all personnel does physical gymnastics and sings a hymn of the firm that stimulates informal relations. On all complaints of workers immediate reaction of a management, as a rule, follows.

Table 21.1

The characteristic of Japanese and American management

| Japanese model of management | American model of management |
|--|--|
| 1. . Decisions are accepted collectively on the basis of unanimity | Individual character of acceptance of administrative decisions |
| 2. Collective responsibility | Individual responsibility |

| | |
|---|---|
| 3. Non-standard, flexible organizational structure | Strictly formalized structure |
| 4. The collective supervisory control | The individual supervisory control of the manager |
| 5. The informal organisation of the supervisory control | The formal organisation of the supervisory control |
| 6. The slowed down estimation and career growth | Fast estimation and advancement |
| 7. The main quality of the manager - ability to carry out co-ordination and the supervisory control | The main quality of the manager - professionalism |
| 8. Orientation of management to group | Orientation to the separate person |
| 9. A management estimation by collective result and harmony in collective | Management estimation by individual result |
| 10. Personal informal relations with subordinates | Conventional attitudes with subordinates |
| 11. Promotion on a seniority and the work experience | Business career is under construction on personal results |
| 12. . Preparation of heads of a universal type | Preparation of highly specialised heads |
| 13. Payment on indicators of work of group, the office experience etc. | Payment on individual achievements |
| 14. . Long-term employment of the head in firm | Employment for the short period |

Important element of training of the personnel is rotation of shots. Each 3-5 years Japanese pass to a new place of work or a post in the company. The given method of training allows to generate a highly professional, interchangeable manpower that provides possibility of application of collective methods of decision-making. In particular it is actual for preparation of managers as in Japan are absent as those business schools and the companies independently prepare administrative shots. It is necessary to notice that at transition in other company the worker loses the seniority, is discriminated concerning payment, privileges, pension that дестимулирует turnover of staff.

Having created a special microclimate and culture of relations, the Japanese companies have achieved high loyalty from the personnel: employees unconditionally carry out overtime work, seldom use the day off, use only half of paid holiday, are always ready to render any help to firm or colleagues. According to polls of 70 % of Japanese consider itself obliged to take close part in affairs of friends (in the USA - 45 %, in England - 36 %, Germany - 31 %, France - 12 %, Russia - 6 %).

Organizational-maintenance Japanese management includes a complex guidance system of quality of "Kanban" ("precisely-in-time"), «*quality mugs*», methods «*participations in management*». For the first time system "Канбан" has been developed and applied in company "Toyota". The essence of this system consists in the organisation of is continuous-line multi-subject manufacture of products of different models at maintenance of deliveries of accessories in small lots directly on the conveyor or shops ("precisely-in-time"). As a result, the majority of warehouse stocks is liquidated and the floor spaces earlier used for placing of raw materials, materials, production are liberated. Besides, the given system is guided by the complex quality management which is carried out by collective efforts of workers and application of the multipurpose equipment with small time of readjustment. Realisation of system "Канбан" and deliveries "precisely-in-time" demands formation of special relations with associates and suppliers of firm, and, as a rule, assumes formation of the organisation of a new type - network structure which will be considered more low.

The following form of collective management methods are *the mugs of quality* assuming attraction of workers and employees to innovative workings out. The circle consisting of small group of people, urged to carry out voluntary the supervisory control of quality of work and production at the enterprise. Participants of a circle should promote development of the initiative and are obliged not less than 1 time a month to bring a specific proposal on manufacture perfection. Between mugs of quality within the limits of firm competition to monthly summarising and rewarding of winners will be organised. Japanese mugs of quality were given in 5-6 times more efficiency proposals, than by employees of the American companies which activity has not been co-ordinated.

The purpose of the Japanese manager-businessman - to the full to use skill, talent and abilities of each worker. Therefore Japanese apply a method «*participations in management*» on the basis of decisions «from below upwards» at which each employee bears the share of responsibility for results that allows to use its abilities most effectively. Administrative decisions are discussed by all members of collective, are accepted slowly (one of the main lacks of joint system of management), but are realised quickly enough. Collective nature provides high quality of decisions and low quantity of errors owing to consideration of all alternative opinions. With a view of stimulation of the given process at discussion of questions by the first the most younger managers, and further in ascending order start to express opinion of a post. In a case if the head begins discussion by the first as has imparted, younger employees are afraid to express opposite opinion. Pro-

cess of acceptance of joint decisions in the Japanese companies also allows to introduce more risky projects and long-term strategy (a recoupment of 5-10 years) as responsibility lies on collective in life. The American managers, considering personal responsibility, are focused on short-term strategy (a recoupment 1-3 years) with low degree of risk therefore long-term efficiency and competitiveness of the company is lost.

21.2. Adaptation of organizational structure of management

The organizational structure of management is the basic implementer of strategy. How much it is proved and corresponds to a market situation, the success of the organisation in competitive struggle depends. As a whole, the organizational structure should be purpose-built under the put strategic problems. For example, leadership strategy in costs demand realisation accurately взаимоувязанных programs of decrease in costs, maintenance effective контролинга expenses at each stage of production that the traditional linearly-functional structures of the management characterised by primary centralised management can provide. Production differentiation can be обеспеченна at the expense of stimulation of innovative activity and strengthening of services of marketing and the sale providing tracing of processes of dynamics of supply and demand in the market. The last can have the matrix construction which is based on decentralisation of powers on formation of the marketing and marketing policy of the organisation. Such strategy as vertical integration and a diversification provide creation of new manufactures and the enterprises that means transition on дивизиональные management structures. Thus, at statement of new strategic problems change of the most organizational structure of the management, called to provide realisation of problems with the least expenses of resources is required.

Principle of strategic management: to try to carry out new strategy by means of old structure, as a rule, it is inexpedient. In many respects as the reason of unfortunate trends in enterprise development the operating structure of management which holds down the initiative can act, uses rigid rules and procedures that does not allow to react to market changes in due time.

The basic organizational measures on adaptation of structure to strategy include:

1. Revealing of principal views of activity which have cardinal value for successful realisation of strategy and giving of the status of basic elements of structure of management by it.

2. Maintenance of effective communications between key divisions.

3. Maintenance of optimum balance between advantages of centralisation and decentralisation.

4. Definition of nonbasic sorts of activity which can more successfully and be carried out by foreign firms effectively.

At adaptation of organizational structure to strategy allocate five formalistic approaches: functional specialisation, the geographical construction, the decentralised economic partitioning offs, strategic economic units, matrix structures with double lines of powers and a strategic priority.

Functional organizational structures - the most widespread form of adaptation of structure to strategy in the companies with one enterprise. The form of functional specialisation changes taking into account requirements of buyers, sorts of production and used technologies for manufacture, marketing, management.

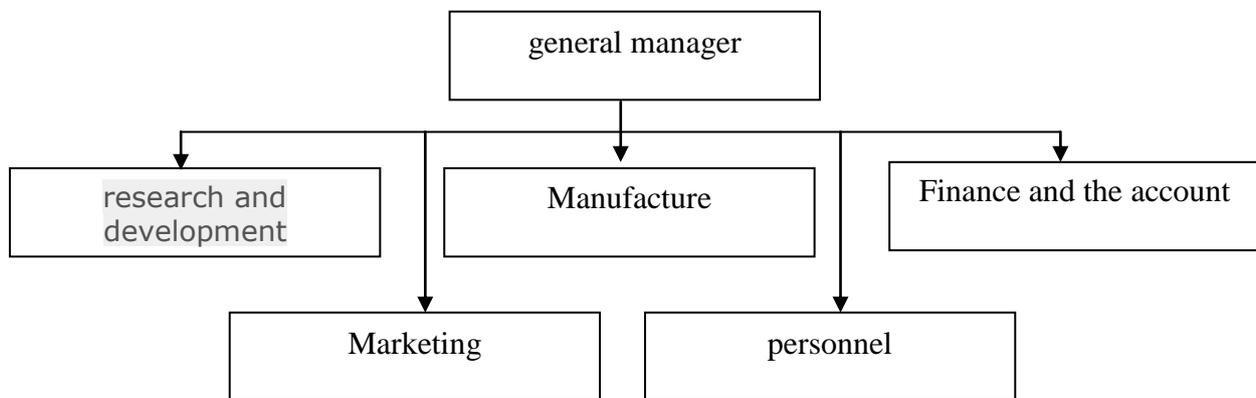


Fig. 21.1. The scheme of the functional organisation

Strategic advantages: **the** centralised supervisory control of strategic results, well approaches for structurization of firms with one buyer, the close interrelation with strategy at the expense of allocation of key works in functional divisions, stimulates acquisition of deep special knowledge, reception of effect of a curved line of the training connected with functional specialisation of the organisation.

Structure lacks: excessive functional short-sightedness and dispersion of strategically important economic processes between traditional functional divisions. As a result of difficulty of maintenance of rigid strategic co-ordination between functional bureaucrats who prefer to do the work without extraneous intervention. Besides, in functional structures ability creatively is limited to react to serious changes in the markets and in technologies. In similar structures the basic administrative burden to lay down

on the general manager who is the unique person in the organisation, possessing powers to resolve contradictions between functional services and to demand necessary level of cooperation between them for efficiency maintenance.

The possible decision - addition of structure with co-ordination gears: use of interdisciplinary working groups for development of procedures of co-ordination of strategically important sorts of works, application of systems of stimulation taking into account joint results of work, investment of working groups with necessary powers for maintenance of effective co-ordination (command work).

Geographical forms of organizational construction (дивизиональная структура) - the usual structural form of the enterprises working in the various geographical markets or serving extensive territory.

The geographical organizational structure well approaches for firms which in different geographical regions adhere to various strategy. Decentralisation on regions will allow to generate strategy more adapted for features of this or that regional (national) market.

Strategic advantages: allows to adapt strategy for requirements of each geographical market, delegates responsibility for profits/losses on камаы the bottom strategic level (a gene. The manager of region), improves functional co-ordination in the target market.

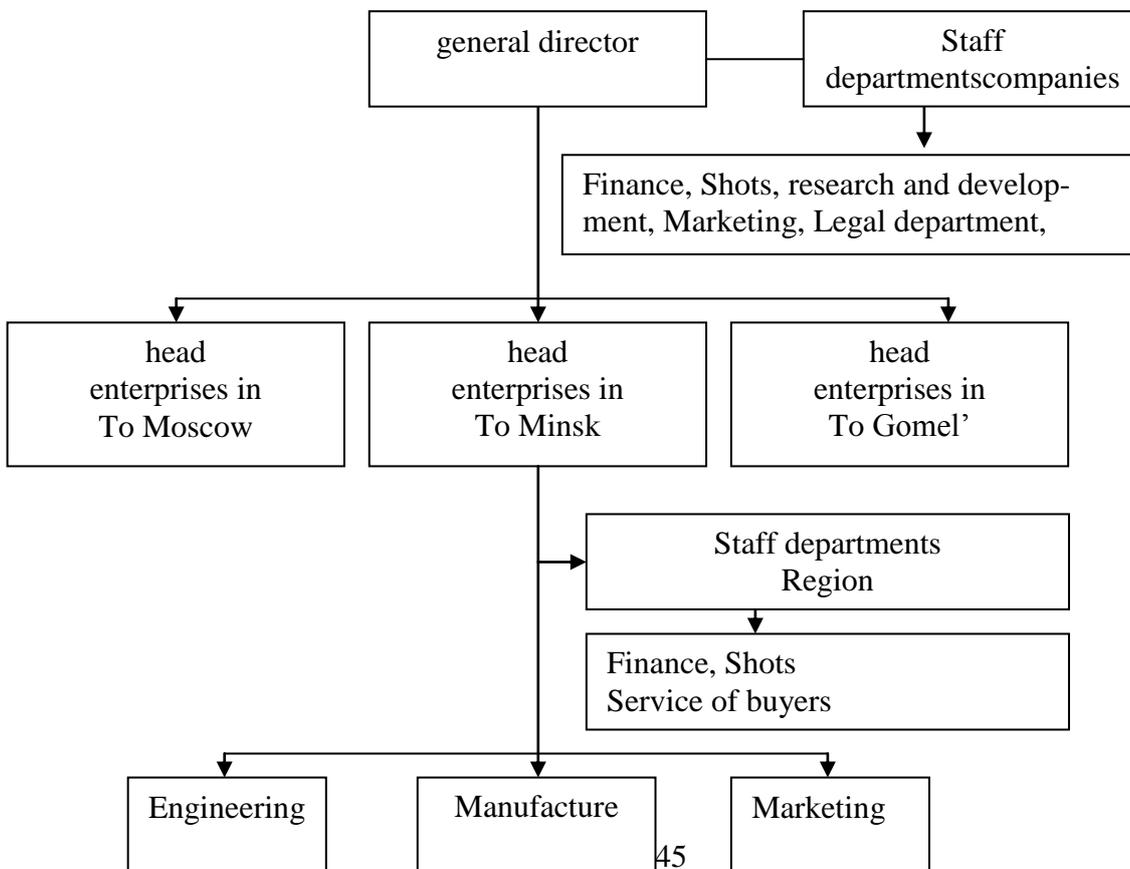


Fig. 21.2. The scheme of geographical structure of management

Lacks: a problem of financing and поддержания image of various territorial divisions, considering freedom of territorial managers, increase in quantity of administrative steps, dub of staff functions at level of the company and in regional divisions.

The *decentralised economic units* - the most widespread form of construction диверсифицированных the organisations which represent multi-filial firms with the several enterprises entering into structure.

The structure basis - granting to the manager of each enterprise of powers to formulate and carry out economic strategy, to stimulate them taking into account indicators of work of division and to consider responsible for the received results.

Strategic advantages: the effective method of decentralisation of responsibility and powers in диверсифицированных the organisations, strategy is formed taking into account concrete working conditions of each enterprise, allows the main official to deal with strategic problems of the company as a whole, accurately to re-lay responsibility for profits / losses on managers of economic units.

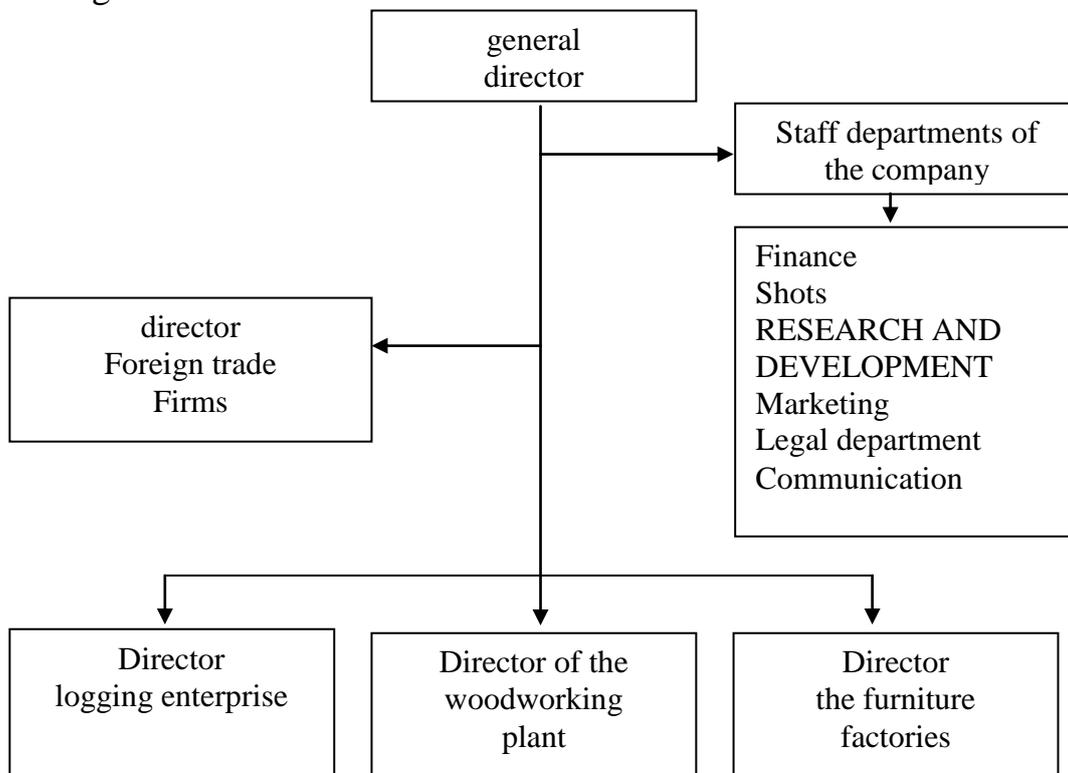


Fig. 21.3. The scheme grocery the divisional organisations

Lacks: expensive dub of staff functions at level of the company and its business units, a problem of correct distribution of centralisation and power decentralisation in the organisations, rivalry of the enterprises at distribution of resources of the organisation, independence of the enterprises complicates co-ordination, the company management is dependent on managers of business units.

Co-ordination solution of a problem: centralisation of strategically important functions (research and development, the finance, trade), stimulation of teamwork of managers of economic units.

Strategic business units (CBE) is a group of the interrelated branches consolidated under the direction of the senior official. The given structures are used at realisation of strategy of a wide diversification when the quantity of the decentralised economic units (enterprises) in company structure can be so considerable that the size standard of controllability for the main official will appear excessive and association of group of the enterprises (CBE) under a uniform management is required.

Strategic advantages: an effective way of the organisation of portfolios of business units (groups of the various enterprises) in wide диверсифицированной the companies, improvement of co-ordination of the enterprises driving in group SBE, realisation of strategic mapping out at the most suitable level, improvement of quality of the strategic analysis from the top management, a direction of resources in those fields of activity which possess the best prospects of growth, independence CBE to accept and carry out strategy.

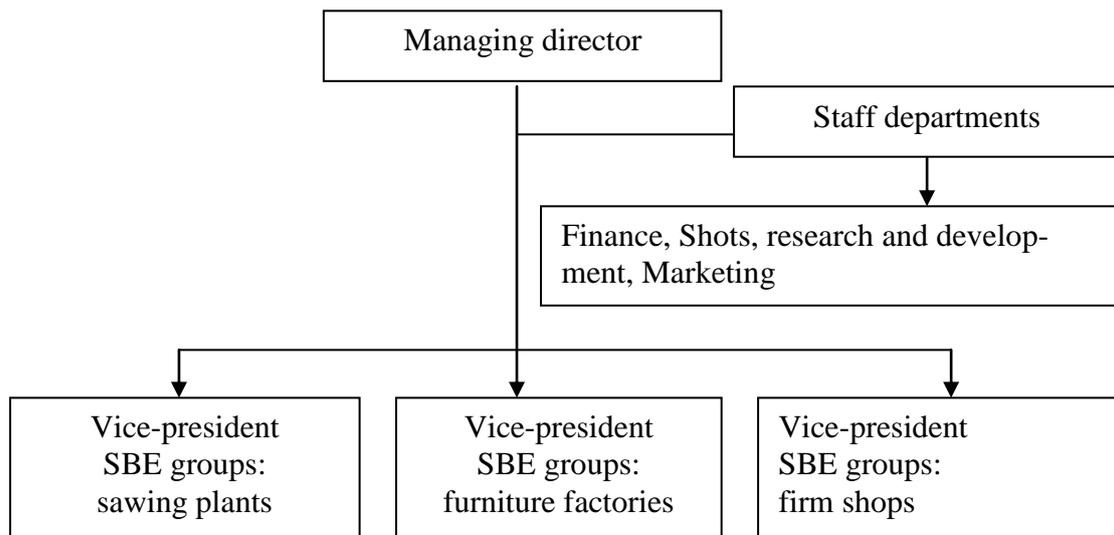


Fig. 21.4. Structure of the company of strategic business units

Lacks: association of the enterprises in СБЕ can not answer their own purposes, СБЕ can appear incompetent at independent definition of the future lines of activity, a problem of correct distribution of powers between managers of business units, vice-presidents and the managing director when the vice-president does not possess sufficient will, co-ordination between business units (group of the enterprises) will be enough weak, the recognition of the end results of activity becomes uncertain.

Matrix forms of the organisation - structures with two (or more) lines of submission, budgetary powers, sources of productivity and compensation for results. Though matrix structures are difficult for operating and they are sometimes bulky, during too time these structures allow firm to support the decision of strategic problems in the double image.

Strategic advantages: attention maintenance to each aspect of strategic priorities at the expense of alternativeness of opinions of various heads (functional, design managers, administration), strengthens counterbalances between the competing points of view, improvement of strategic coordination in диверсифицированных the companies, increase in quantity of conciliatory proposals, cooperation and resolution of conflicts stimulation, improvement of co-ordination of adjacent works.

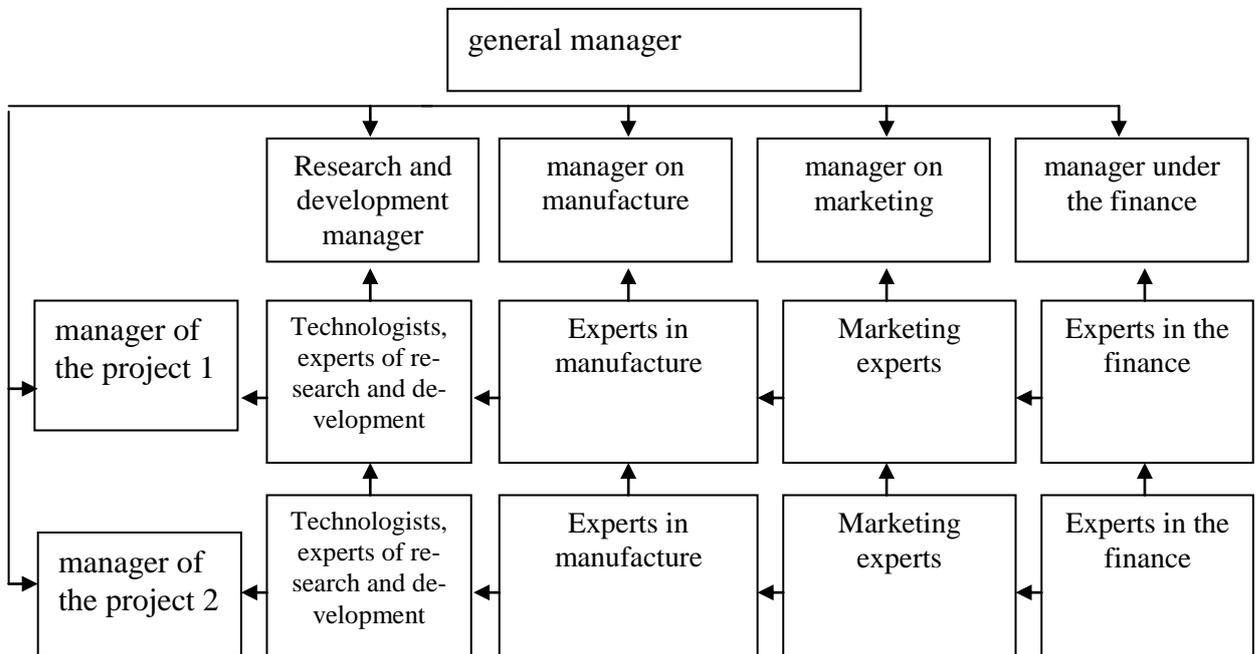


Fig. 21.5. The scheme of matrix structure of management

Lacks: difficult managerial process by the organisation, difficulties of preservation of balance of powers, excessive degree of parting of powers increases expenses, decrease in speed of acceptance of strategic decisions owing to necessity of approval from many persons, occurrence of bureaucratic methods.

The basic additions of traditional organizational structures depending on the strategy purposes:

1. *Special design brigades* - self-sufficient groups for the supervisory control of performance of certain work (creation of a new production process, exhaust of a new product, creation of the new enterprise, the supervisory control of order performance etc.)

2. *Interfunctional working groups* - are formed of number of managers of a high rank or experts for effective co-ordination of strategically connected works mentioning of some divisions.

3. *Venture brigades* - the groups of persons generated for management by process of working out and exhaust of a new product, penetration on the new geographical market.

4. *Self-sufficient labour brigades* - groups of workers of different specialities for perfection of activity of the organisation in certain strategic areas (product quality improvement, improvement of service of buyers etc.).

5. *Managers on communications* - the representatives of the organisation allocated with powers on resolution of problems between internal processes and consumers.

The organizational structure in which all completeness of the power is concentrated in the hands of managers of the highest level operating all processes by personal acceptance or approval of decisions, seldom happens effective. Powers of decision-making should be delegated on local levels which owing to the awareness on a situation the most adequate decisions are capable to make.

21.3. Network structures in system of realisation of strategy.

The concept of CALS-technologies

In modern management dynamics of environment has defining impact on a choice and perfection of organizational structure of the management, capable to provide realisation of strategy of a sustainable development of the enterprise. Traditional hierarchical or bureaucratic forms of the organisations differ weak mobility to market changes that reduces competitive possibilities of the enterprises. As a result, many firms in the devel-

oped countries for maintenance of fast adaptation to an external environment pass to decentralisation, partner relations and information technology which as a whole are embodied in structures of a new type - the *network organisations*. Last decades construction of the network organisation and Internet economy became the main elements of revolutionary changes in management.

The *network organisation* in business is understood as ideal organizational structure which is characterised by set of freely connected network of essentially equal in rights and independent associates which have consolidated in the uniform integrated organisation on the basis of information technology, market mechanisms and corporate relations for the purpose of extraction of a common advantage and opposition of a global competition.

The organisation in the form of a network is the hybrid structure combining functional, дивизиональную and matrix structures of management, and providing more effective differentiation of enterprise activity and communications, and also optimum proportions of centralisation and decentralisation of decisions. Management in the network organisation is under construction by a principle «a uniform command» in which there is a role distribution of problems and there is no straight administrative submission therefore the company can and not have accurately expressed hierarchy or management structure («the unstructured organisations», «the organisation without borders»). Thus the main element of efficiency is leadership, collective decision-making and wide development of informal relations between various groups, commands, clients, suppliers.

In the conditions of globalisation of economy and strengthening of the international competition by a basis for a survival of many branches formation of certain strategic alliances and use of nonconventional methods of adaptation to a business environment by means of organizational networks is. The *strategic alliance* which in essence is the same network structure, assumes cooperation of two or several organisations which realise joint projects and use the strengths (a trade mark, scales of activity, technology, the personnel) for achievement of general strategic targets. Creation of alliances or the network organisations allows to reduce essentially costs of exhaust of new production, an exit to the new markets, etc. For example, company IBM at which in the USA it is concluded a few alliances, in Japan has generated the whole network of the unions with cooperating firms. With Ricoh it carries out sale of computers of initial level, with NipponSteel - system integration, with FujiBank - marketing of financial systems, together with OMRON develops the computerised industrial complexes, with NTT - networks with additional services. As a result, the

given company is considered as large and an integral part of the Japanese market and successfully competes in all segments and spheres.

The network organisations can be subdivided on *intrafirm* and *interfirm*. Intrafirm networks have appeared as a result of evolution of processes of decentralisation of the large companies focused on use of advantages of free business, flexibility and mobility of small and average business. Distribution of the network form of interfirm relations has occurred in the course of realisation of strategy of re-structuring of branches and the companies providing formation of strategic alliances with independent suppliers or distributors (outsourcing strategy) as alternatives to strategy of vertical integration.

Strategy of network structure is directed on integration of resources of associates and maintenance of flexible reaction to market changes, introduction of new industrial and administrative technologies, as, for example, system "precisely-in time" (just-in-time). There is a set of forms of interfirm networks: joint ventures, a franchise, a consortium, commercial agreements, performance of works on subcontracts, cross management, personal networks. The global world of the international transnational companies (multinational corporation) also has network structure. So, for example, company "Toyota" consolidates thousand enterprises occupied in sphere mining, metallurgical and motor industry, banking sphere, trade and some other spheres located in the various countries and consolidated by a uniform global network, corporate strategy and culture.

Strategic advantages of the network organisations are: reduction of production costs and realisation of production at the expense of a scale effect, possibility of fast access to the new technology, the new information, new commodity markets, acceleration of introduction of innovations, risk parting between members of a network is proportional to their contribution to maintenance of network agreements. A consequence of development of network structure is essentially new form of the organisation - "the virtual" enterprise.

According to S.A.Peliha and other authors, the *virtual enterprise* should be considered as the metaenterprise consolidating the purposes, resources, traditions and experience of the several enterprises by working out of difficult innovative projects or at production of world level. At the organisation of the virtual enterprise there is an integration of production potentialities, unique experience and high technologies of the whole group of companies - associates of the project which cannot be realised one of the parties [41]. By means of integration of efforts it is reached синергический effect ($2+2=5$) therefore the group achieves more high efficiency and

strengthens competitive advantages. Basic feature of "the virtual enterprise» is the temporality of activity of the independent working groups spatially removed from each other and co-operating means экстрасети (extranet) - the structure providing reliable and safe conducting of operations on the Internet.

The **concept of CALS-technologies**. Now investments into development of information technology give the greatest economic benefit. Presence of operative information support of administrative decisions is the important factor from the point of view of a substantiation and realisation of strategy of development of the enterprise. Thus effective automation of all stages of industrial-administrative activity is possible only on the basis of the uniform environment - methodical, organizational and information.

Concept CALS (Continuous Acquisition and Life-Cycle Support) is a realisation of a problem of creation of the uniform information environment. The essence of concept CALS is a creation of such model of a made product which would accompany the given product on its all extent industrial and life cycle. Unlike traditional approaches CALS from the moment of occurrence assumed use for the analysis of organizational activity of uniform and widely used methodology of the system (structural) analysis and designing (SADT), and applications of uniform system of the description and interpretation of the data of designing at all stages of life cycle of a product.

In development the concept gradually evolved and interpretation of abbreviation CALS changed:

1985 - Computer-Aided of Logistics Support;

1988 - Computer Acquisition and Logistics Support;

1993 - Continuous Acquisition and Lifecycle Support;

1995 - Commerce At Light Speed.

According to the accepted international definition, CALS is a strategy of the industry and the government, directed on effective creation, a swap, management and use of the electronic data supporting full life cycle of a product by means of the international standards, reorganisation of enterprise activity and high technologies. Key areas CALS now are: reengineering and management of the projects, parallel designing, the virtual enterprise, electronic data exchange, systems of support of the decision-making, the integrated logistical support, the multiuser databases, the international standards.

The maintenance of CALS-technologies includes creation of standard "interfaces" for various industrial technologies, business processes, other fields of activity. Now enough wide circulation is received by CALS-

envelopments - the software providing connection of a guidance system of any enterprise through the standard interface to information system of world CALS-community, providing process of national and international integration of business.

Realisation of strategy CALS assumes creation of uniform information field for all participants of life cycle of a product, the enterprises entering into structure of the network organisation (the virtual enterprise). Three groups of the methods named CALS-technologies are for this purpose used: technologies of the analysis and reengineering of business processes - a set of methods of re-structuring of the enterprise for the purpose of increase of its efficiency; technologies of data presentation about a product in electronic form - a set of methods of automation of separate processes of life cycle of a product; technologies of integration of the data about a product within the limits of uniform information field.

The greatest economic benefit of CALS-technology give in the virtual enterprises (the network organisations). By foreign estimations, increase of efficiency of use of fixed capital in CALS-compatible manufactures provides reduction of time of assemblage of some products on the average in 3 times, labour productivity increase - in 7 times, reductions of quantity of errors - in 6 times, reduction of expenses by production inventory - to 30 %, on manufacturing of documents - 70 % [41].

Thus, CALS is economically effective and complex information strategy which assumes revision of ways of business dealing, use of the software supporting the international standards (for example, ISO 9000), more an effective utilisation of the information and new methods of cooperation between the enterprises-partners. In process of perfection of its standard-legal base in Belarus application of the given technologies will allow our industry to be integrated faster into the international cooperation and it is essential to raise economic results of activity, to improve operating strategy of development of business.

21.4. Development of electronic commerce and Internet-strategy In traditional branches

Application of business model and strategy of electronic commerce is logic continuation and the organizational gear of functioning of network structures and CALS-technologies in various spheres of economic activities of the modern organisations. Advantages of electronic commerce for today are obvious, considering potential possibilities of the given market. By for-

eign estimations, in the end of 2000 in the world was 325 million constant users Internet: about 150 million in the North America, 100 million - in Europe, 58 million - in Asian-Pacific region, 11 million - in Latin America and over 7 million in other regions of the world.

The increasing quantity of the companies is involved in process of electronic commercialisation and in our country, creating and certain advantages and threats to traditional business. Already in the near future the companies which are not participating today in Internet-economy, will be compelled to use Internet-technologies in the business that will lead to disappearance of distinctions between electronic and traditional business. Distribution of electronic commerce demands working out of new business models and strategy as influences a situation in branches.

The most appreciable factors of influence are:

Global competition irrespective of a firm site. It especially concerns the goods with low expenses for transportation. In retail trade in Internet expands borders of the market far beyond geographical regions in which the traditional retail seller operates.

Competition in branch amplifies because of development of electronic commerce by traditional firms and occurrence of the new Internet-companies working only in the Network. The worldnet is not only important new channel of distribution of the goods, but also means of increase of efficiency of business and decrease in operational expenses.

Entrance parting layers in electronic commerce are rather low. Costs on the software for creation and Web-site support rather low therefore in the given sphere it is possible to transfer many sorts of activity to outsourcing.

Electronic buyers are more exacting to the price as can compare at once the goods, the prices, terms of delivery of the companies-competitors.

Internet essentially accelerates distribution of new technologies and ideas, increases uncertainty of long-term strategy of development, especially in sphere of computer technologies.

Electronic technologies force the companies to operate faster - «with a speed Internet».

Electronic commerce opens new possibilities for re-structuring of a branch and corporate chain of value. Internet forces to pass to delivery precisely in time, to reduce commodity-material stocks and flexibly to react to the running market demand.

For electronic placing and processing of orders the electronic system of mapping out of resources of the enterprise (ERP) and an electronic guidance system of manufacture (MES) which essentially reduce costs by ad-

vancement and payment is used. So, for example, DellComputer uses the special program which automatically accepts, analyzes messages of clients on malfunctions and sends corresponding programs of debugging without personnel participation. As a result the technical support of users manages much more low-cost.

In retail electronic trade there are two basic groups of companies: the first carries out sale of the goods basically to corporate clients (B2B), the second - to end users (B2C). Sale of the goods on cost prices and reception of profit at the expense of placing of advertising of other sellers will be the Most simple and revolutionary strategy of the given firms. Some firms use strategy of sale of the goods on or below cost, but thus collect the information on clients and sell to other companies. The third apply the traditional scheme: buy the goods from manufacturers, advertise them on the Web-site, accept and carry out orders, using stocks. Sometimes, sellers can adhere to the classical focused strategy focused on certain group of consumers. With a view of advancement of the goods the Web-site should have the improved registration, the constant updating interesting and the fascinating maintenance. Interesting filling of a site of audio- and video effects and amenity of navigation involve visitors and become a valuable competitive resource.

In domestic branches of a himiko-wood complex electronic trade is only in an initial stage of development. At the best at the enterprises there is only information Web-site and-or banner advertising in Internet is carried out. As to Internet-shops they are actually organised by only small private companies with which many large domestic enterprises of branch, in particular the furniture industry, do not co-operate for whatever reasons. In certain degree in a wood complex of Belarus of function of the organizer of electronic commerce recently created *wood yard* which is carrying out sale of production *лесохозяйственных* of the enterprises - uncles woods carries out.

Thus, in domestic branches of economy, a wood complex, also it is necessary to consider development of electronic commerce as a priority problem of formation of long-term strategy of development of the enterprises, giving following competitive initiatives:

Use of Internet-technologies for effective dialogue and close interaction with suppliers and production consumers.

Reorganization of a branch and corporate chain of value. For example, some our large furniture enterprises are compelled to close the furniture manufacture under pressure of the small private companies and to reor-

ient manufacture on exhaust of raw materials, materials (ДВП, ДСП and others).

Increase in a share of manufacture and assemblage under the order. In a greater degree it concerns furniture manufacture and other manufacturers of consumer goods who should be guided by individual inquiries of buyers.

Creation of systems of processing, a complete set and delivery of individual orders. From the point of view of the branch enterprises cooperation and cooperation with the existing Internet-companies by means of creation of the network organisations is possible.

Use Internet as an additional communication channel with available and potential buyers, carrying out of marketing researches.

Use Internet for development of the new regional markets and attraction of new consumers from abroad. At the organisation of electronic trade it is necessary to think over carefully possible ways of the decision of conflicts to traditional channels of distribution as Internet-sales undermine business of operating traditional distributors and dealers.

As a whole electronic trade possesses such key factors of competitive success as use of innovative model of business dealing, adaptation of strategy to changing conditions of the market, concentration on the most significant sorts of activity, leadership preservation in development of technologies, application of innovative methods of marketing, reorganisation of a chain of values taking into account Internet-economy priorities, with a stress on competitive advantages of leadership on costs, on the basis of differentiation or the best cost of the goods for the buyer.

8.5. Creation and management of a trade mark

Strategy in which basis trade mark development is necessary, is steady because she creates competitive parting layers. Thanking last successes and a stream of new workings out a trade mark symbolises itself set of non-material objects, including trust, reliability, qualified employees and innovations which cannot be copied.

The American marketing association makes following definition: the *trade mark (brand)* is a name, the term, a sign, a symbol, drawing or their combination, intended for identification of the goods or services of the manufacturer or group of sellers and their differentiation from the goods or services of competitors.

According to the theory брендинга, the organisation should create real or symbolical difference for the goods, enclose huge means in its ad-

vancement for maintenance of recognition of a trade mark. For брендинга in modern economic conditions the certain paradigm is required:

1. The Enterprises should formulate accurately the base values and develop corporate brands. Presence of their names on the goods or services creates an image of quality and value.

2. Brands-managers perform tactical work, as a whole success of a trade mark depends on that, how much branded offer is experienced and it is accepted all employees of the company. In strategy formation брендинга the increasing role belongs to the popular head of the organisation.

3. The trade mark Plan for development should be all-round: it should cover all chances of contact of the buyer with mark (events, seminars, news, call by phone, e-mail, personal meetings).

4. The Company should define essence of the trade mark which is obliged to be observed at each certificate of purchase and sale. Local variations are admissible, but «the feeling of a brand» should be uniform for all production of the enterprise.

5. The Defining factor of strategy, the running activity, service and enterprise workings out should be the branded offer of value of the goods or service.

6. As efficiency indicators брендинга it is necessary to use not only old criteria, as, for example, awareness, ability to learn and ability to remember, but also a number of others, including value perceived by the consumer, satisfaction of the buyer, a share of expenses of the buyer, level of deduction of buyers, consumer protection.

Degree of a recognition and influence of trade marks in the market are various. Some marks are simply unknown to the majority of buyers. About others consumers show enough large-scale of awareness. For the third the recognition large-scale is characteristic. The fourth marks possess high consumer preference. And at last, there are marks which have loyal consumers.

F.Kotler defines the *branded capital* as the positive differentiated effect from knowledge of the trade mark, the consumer shown in the form of reactions to the goods or service. Presence of the branded capital is expressed that at identity of the goods consumers prefer one of them. An indicator of size of the branded capital - the sum, which consumers are ready to overpay to get the goods of desirable mark. For example, *Amazon.com*, can establish the prices for 7-12 % above, than at less known Internet companies.

It is necessary to distinguish the branded capital and trade mark cost, its financial estimation.

The *branded capital* is a set of actives and the passives connected with the branded name and a symbol, increasing or reducing value of the goods or

service for the company and-or its buyers. The given actives and passives vary depending on a concrete situation. In whole, they can be divided into four categories (fig. 5.1). All of them demand purposeful management. It is obvious that the efforts directed on creation and maintenance of awareness, associations and loyalty, demand considerable financial expenses. Besides, people and the systems are necessary, capable to find out negatively influencing these components of the branded capital factors and to take corresponding measures.

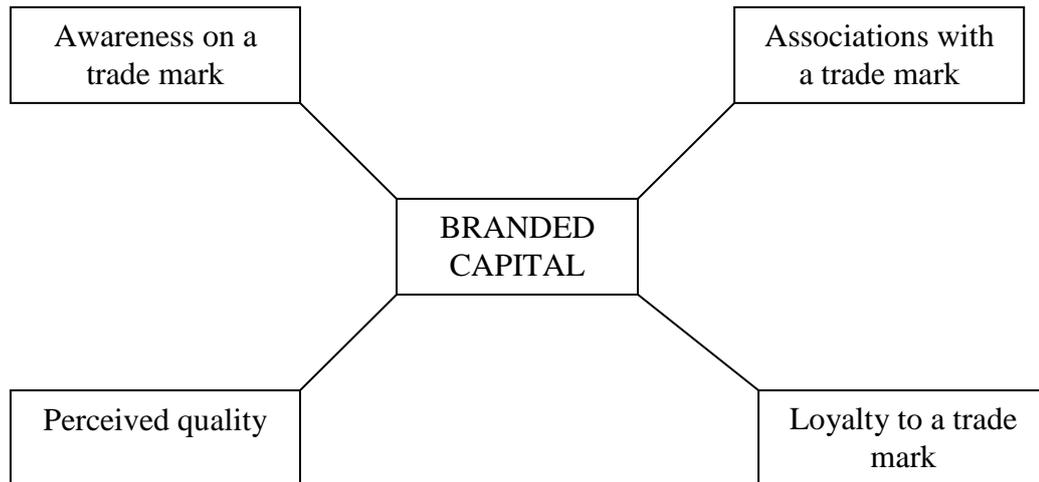


Fig. 8.6. Structure of the branded capital

The *high awareness of consumers on mark* provides at once some competitive advantages. First, it causes sensation of acquaintance to mark, and familiar it is pleasant to people. Secondly, the awareness on the branded name can serve as a signal of presence, experience and a reality - attributes, very important for branch experts in purchases of the expensive equipment and for private buyers of the goods of long using. Logic here the following: if the name is known, to that there should be a reason. Thirdly, on popularity of mark depends, whether the buyer in the course of decision-making on goods acquisition will remember it. An extreme case - mark domination when at the mention of the given class of the goods on mind the unique place comes.

Awareness on a trade mark - surprisingly durable and steady active. To press the mark which has reached dominating level of awareness, it can be very difficult. As daily upon consumers fall more and more marketing references, the problem of creation of awareness and presence, and

energy conserving and effective image, seems formidable, especially if to consider фрагментированность mass media and information chaos.

It is necessary to notice also that the greatest success in creation of awareness on mark the companies specialising on communications out of traditional media today achieve - use событийный marketing, propagation, distribution of samples of production and other ways of attraction of attention of audience.

Associations with a trade mark arise concerning any object with which it expressly or by implication communicates in memory of the consumer.

Value of associations arising at buyers with attributes of the goods and consumer benefits obviously for they define the decision concerning acquisition of certain mark that is why are a loyalty basis to it.

Strong marks are not limited to commodity attributes and differentiated on the basis of other associations, such as intangible characteristics of the organisation (innovative, global, and etc.), the person of mark (competent, prestigious), symbols, emotional benefits or brand use as self-expression means. Last two associations are especially important for creation of communications with buyers.

Loyalty to a trade mark of existing buyers of the organisation - one of the pivotal and steady actives of some organisations. Competitors can copy the goods or service or even to let out more perfect variant, however achievement of success by them assumes the decision of one more problem - to force buyers to be switched to their mark. As the reason of loyalty for mark or resistance to switching the ordinary habit, preference or expenses for switching can serve.

Presence of base of loyal buyers is the hugest competitive advantage. Loyalty to a trade mark allows to cut expenses on marketing, creates parting layers to competitors, improves image of mark and leaves a reserve of time for репозиционирования in case of real competitive threat.

Thus, the high branded capital provides the organisations a number of competitive advantages:

Thanks to branded awareness and loyalty of buyers expenses for marketing decrease.

Enterprise receives the certain lever of impact on distributors and retail sellers as buyers wait from them production under concrete trade marks.

Enterprise establishes higher prices in comparison with competitors as the trade mark is perceived as a quality indicator.

Trust of consumers facilitates realisation by the enterprise of strategy of expansion of a trade mark.

Trade marks provide to the enterprise certain protection in the conditions of a rigid price competition.

Preservation of high level of the branded capital demands competent management of a trade mark. It is necessary to support and expand awareness of buyers on mark, perceptibility of qualities and properties of the branded goods, to support the positive associations connected with a trade mark. Constant investments into research and development, advertising, maintenance of high level of trade and service are for this purpose necessary.

Some analysts consider mark as the main and most durable active of the company which term of life considerably exceeds time of existence both the made goods, and the organisations. But force and *влиятельность* marks consist in loyalty of buyers. Hence, at the heart of the branded capital the *consumer capital* lies. It follows from this that marketing strategy should be directed on increase *in the period of loyalty of buyers to mark* when management of a trade mark becomes the major marketing tool. Unfortunately, many enterprises badly operate the main active, bringing it in a victim to short-term incomes.

Branded strategy depends on, whether the trade mark is functional, *имиджевой* or empirical.

Functional marks are got for satisfaction of functional requirements: for shaving, cleaning of clothes, disposal of a headache. Such mark brings the greatest satisfaction in that case when the buyer considers its more effective or more energy conserving, than competing brands. As the basic advantages of such marks the goods and-or the price serve.

Imidzhevymi marks supply the goods and services which are difficult for differentiating which quality it is difficult for estimating or which create an image of the user. Associations with the well-known users or an outstanding advertising symbol can serve this purpose distinctive design. All these strategy urged to create a positive image of the user of the branded goods. *Imidzhevye marks* in many respects depend from «креативности» and the big publicity expenses.

Empirical marks (marks-experiences) offer something *большее*, than goods acquisition is simple. Visiting of certain places or dialogue with certain people is connected with such marks.

Eventually each type of a trade mark can develop. Researchers allocate some branded strategy:

Expansion of a commodity line (distribution of the name of mark on the new goods within the limits of one commodity category);

Trade mark expansion (distribution of the name of mark on the new goods from other category);

Multimarks (different names of marks for the goods of one category);
Introduction of *new trade marks* for new categories of the goods;
combined trade marks (the marks made from two or it is wider known
branded names).

Creation of a successful trade mark - a key question of strategy and management. The strong trade mark provides the companies consumer loyalty, interferes with realisation of corrosive plans of competitors. Successful trade marks are created on the basis of a high-quality product. The trade mark only then realises the potential when the target audience is assured of its quality and originality.

8.6. Perfection of the gear of stimulation and Motivations of work

One of the most significant moments at strategy performance is working out of technics of motivation which develops at the personnel a sense of responsibility and success in work performance. The policy and technics of motivation and encouragement should be used creatively and be closely *взаимосвязана* with factors and the purposes necessary for successful performance of strategy.

The good managers who are carrying out strategy, those who is capable to call and provide performance by employees of the duties in the best way who is capable to use all arsenal of methods of motivation effectively are. Managers allow to join to workers in strategy and to understand a measure of responsibility for performed work. The workers participating in working out of decisions, the ways of the best performance of work connected with searches, try to make work interesting and bringing internal satisfaction. Such modern technologies of management as management by a principle «a uniform command», the decentralised structures, the network organisations, electronic trade and marketing, are focused on collective methods of decision-making and active involving of the personnel in process of development of strategy of firm. The given approaches not only improve the organizational gear of realisation of strategy, but also essentially improve efficiency of communications, develop informal relations between workers, give possibility of creative self-realisation. Thus, the new type of the organisation raises interest and satisfaction work of the worker, and the firm as result receives a certain innovative product.

Traditional gears of motivation are well-known: granting of additional awards and prizes, a general recognition, constructive criticism, big (or smaller) responsibility, increase (or reduction) the supervisory control

of work, granting of the right of independent decisions, the offer of the best work environment, additional payments for successes in work of all collective and the promise of notable material encouragement (increase in the salary, the award, participation in company profits) etc.

However, each enterprise should develop own system of stimulation and awarding of workers for results which will promote strategy performance. We will consider some examples.

In company MarsInc. Each worker, including the president, receives a weekly bonus (award) at a rate of 10 % of a salary if within this week it comes for work in time. The purpose - decrease to a minimum of number of delay and прогулов that leads to labour productivity growth.

In a number of Japanese firms employees regularly gather to listen to inspiring speeches, to sing corporate songs and a hymn. In the USA many firms spend weekly evenings of celebration and encouragement of the best workers. The purpose - strengthening of unity of the company.

Heads of company TexasInstrumentsandDanaCorp. Insist, that groups (command) and division established own problems and carried out the careful analysis of their performance. The purpose - quality improvement, perfection of methods of performance of work.

In company Procter and Gamble from managers of various commodity marks (brand-manager) demand a rigid competition with each other. The similar system of a purposeful internal competition brings up people who like to compete and be improved. The won employees get glory of heroes [44].

The presented methods of motivation concern positive factors of influence on the person. In reality by managers are used both positive (encouragements), and negative (punishments) of impact. For maintenance of healthy working conditions it is necessary, that positive pressure outweighed the negative.

Principle of strategic management: the main indicator of work of the employee and division is achievement of the put strategic targets by them. A major factor which fixes attention of the worker to achievement of strategic targets of firm, the material interest, i.e. encouragement succeeded and absence of that for the employees, not executed tasks in view is.

The system of compensations should is under construction on following principles:

Payments for performance of the plan at a rate of 20 % and more general payments are considered big enough for occurrence at the worker of personal interest.

System of encouragements should extend on all managing directors and workers, instead of to be limited to the higher administrative personnel.

System of encouragements should be strictly structured and not suppose understating or overestimate of size standard of compensation.

Compensation should be connected only with achievement of those purposes which are defined in the strategic plan.

Estimation of achievement of workers of objects in view should be spent on the basis of concrete results of its activity.

The main task of system of stimulation consists in the coordination of compensations with the strategy purposes. In case the purpose of the strategic plan consists in leadership achievement in costs, the system of compensations should encourage the activity guideing to decrease of costs. At strategy orientation on goods and service improvement of quality, the system of compensations should encourage output with zero marriage, decrease in quantity of references concerning guarantee repair, reduction of time of performance of the order and goods delivery. At realisation of strategy of introduction of new products, the sum of bonus payments should be defined within the limits of profit received from these products.

8.7. Development of organizational culture and leadership At management of strategy

The *corporate culture of the companies* is connected with values of the organisation, belief, traditions, style of work and the internal environment of the organisation. The often enough basic components of corporate culture associate with a name of the founder of the company or the first heads who have erected them in a rank of philosophy of the company, have established a set of principles to which the organisation should follow, have developed a policy, strategy and company mission.

Change of leaders and company management can lead to occurrence of new valuable reference points and practice which will change culture of firm. The reason of changes in the concept of corporate culture often is company introduction in new sphere of business, a gain of new commodity markets and its fast growth accompanied by increase of number of the personnel. In modern management two basic cultures occupying opposite poles of formed system of relations and communications in the company allocate: administrative and enterprise (tab. 8.3).

Within the limits of transitive economy at the domestic enterprises the approach that reduces quality and the end results of work of manage-

ment prevails administrative. Therefore, a mainstream of perfection of organizational culture at the domestic enterprises is development of principles of enterprise culture, characteristic for the rynochno-focused company, as a rule, having network structure of management.

The *strong corporate culture and its close connection with firm strategy are powerful handle-bars the personnel for the purpose of improvement of its work*. It is reached by two ways:

Working environment in which the culture quite corresponds to conditions of successful realisation of strategy, provides system of informal rules and mutual influence of employees concerning business management and performance of works in the company. The behaviour, the supported culture, is remunerated.

Strong traditions, favourable realisations of strategy, induce people to do a maximum of the possible; such culture forms structure, size standards and system of values as reference points for workers; provides identification of employees with the company.

Table 8.3

Two approaches to formation by leaders of organizational culture

| administrative Culture | organizational Variables | enterprise Culture |
|-------------------------------|-------------------------------------|------------------------------|
| From the outside | <i>monitoring system</i> | From within |
| proprietor of process | <i>Relations property</i> | proprietor of property |
| Waits for the moment | <i>relation To possibilities</i> | Guides search |
| Is rational-logic | <i>primary decision of problems</i> | intuitive |
| Centralisation | <i>Delegation Powers</i> | Decentralisation |
| hierarchical | <i>organizational Structure</i> | network |
| "Adult-child" | <i>Relations Subordinations</i> | «Adult-adult"» |
| On the organisation | <i>Organizational focus</i> | On the person |
| Depreciation | <i>industrial Strategy</i> | Differentiation Manufactures |
| Productivity | <i>Overall objectives</i> | Efficiency |
| system | <i>approach to management</i> | situational |
| From integration | <i>Work is projected</i> | From autonomy positions |

| | | |
|------------------------------|------------------------------------|--------------------|
| positions | | |
| By rules | <i>Work performance</i> | creative |
| Updating | <i>Spent changes</i> | radical |
| To do serious work correctly | <i>basic Course of actions</i> | To do correct work |

Formation of strong culture, favourable strategy, is promoted by following three factors:

Founder or the strong leader who establishes values, principles and the methods promoting inquiries of consumers, to conditions of a competition and strategy requirements.

Long-term adherence of the company to business management according to these settled traditions, creating the environment of decision-making on the basis of cultural size standards.

Original care of well-being of three main elements of the company - buyers, workers and shareholders.

The continuity of a management, the small sizes of groups, stability of their members, geographical concentration and considerable success promote formation of strong culture. Managers of many companies attach great value to informal dialogue (personal contacts of the head to workers, clients, consumers, carrying out of meetings for development of informal decisions of problems etc.).

Executors of strategy should be in the forefront at creation of culture and a climate, supporting strategy. In need of changes managers should supervise personally over these changes and bring respective alterations in culture of the company. Cultural values of the organisation, as a rule, can be reconsidered each 5-10 years depending on external and internal characteristics of changes.

One of the most obvious factors providing success of actions on adaptation of culture to new conditions, level of competence of the top management of the company is. Effective actions on reduction in conformity of main principles of culture and the selected strategy assume:

Account of interests of all who makes company "capital" (consumers, employees, proprietors, suppliers etc.), for achievement of conformity of their long-term requirements with changes in the company.

Openness in relation to new ideas.

Critical estimation of successes and operating strategy.

Explanation of occurring changes and belief of sceptics in their necessity.

Encouragement and compensation of those who establishes new cultural size standards and successfully spends necessary changes that helps transformation of all company.

Situation Creation at which each managing director is obliged to listen to the annoyed clients, dissatisfied shareholders and employees that the management could is realistic to estimate organizational forces and weaknesses.

Only the top management has the necessary power for change of corporate culture. Than degree of global changes in corporate culture more during adaptation to new strategy, words and acts of the administrative personnel should be especially evident. Examples of the prospering companies show that that the leader defining strategy, speaks and does, has considerable influence on adaptation and strategy realisation by its subordinates.

One of ways of the effective leadership promoting strategy, management on the basis of the maximum contacts to the personnel (YOMKII) is. Use of the given system allows employees to have the information on a real situation in the company and to be well informed about those things which are important personally for them.

The problem of strategic leadership consists in maintenance of a telescoping of new ideas with ordinary employees and supports of enterprise spirit, соревновательности for increase of motivation of work and effective adaptation to changes.

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TABLE OF CONTENTS

| | |
|---|-----------|
| The preface..... | 3 |
| 1. General idea about management..... | |
| 1.1. A subject and the management maintenance. The basic categories of discipline | |
| 1.2. Necessity of management of the organisation and features of administrative activity | |
| 1.3. Parting of administrative work. Management levels | |
| 1.4. Organic laws, laws and management principles | |
| 1.5. Interrelation of management with other disciplines | |
| | 4 |
| | 4 |
| | 9 |
| | 12 |
| | 15 |
| | 18 |
| 2. History of development of the theory of management | |
| 2.1. Preconditions and stages of development of management | |
| 2.2. School of scientific management | |
| 2.3. Administrative school of management | |
| 2.4. School of human relations | |

| | |
|---|----|
| 2.5. School of behavioural sciences (бихейвиоризма) | 22 |
| 2.6. Empirical (practical) school of management | 22 |
| 2.7. School of modern management | 23 |
| 2.8. Development of the domestic theory and management practice | 29 |
| | 35 |
| | 39 |
| | 47 |
| | 53 |
| | 60 |
| 3. Management functions | |
| | |
| 3.1. Management functions, their concept and the maintenance | |
| | |
| 3.2. General functions of management by the organisation | |
| | |
| 3.3. Concrete (industrial) functions of management | 65 |
| | 65 |
| | 66 |
| | 71 |
| 4. Management methods | |
| | |
| 4.1. Essence and grading of management methods | |
| 4.2. Organizational-administrative management methods | |
| 4.3. Economic management methods | |
| 4.4. Socially-psychological management methods | 74 |
| | 74 |
| | 74 |
| | 76 |
| | 78 |
| 5. Management organizational structures | |
| 5.1. Essence, types and sorts of organizational structures | |
| 5.2. Size standard of controllability: essence, factors, structures | |

| | |
|--|-----|
| 5.3. Sorts of traditional structures of management | 80 |
| 5.4. Organic (adaptive) structures of management | 80 |
| 5.5. A choice, an estimation and perfection of organizational structures of management | 82 |
| | 85 |
| | 90 |
| | 96 |
| 6. Acceptance of administrative decisions | |
| 6.1. Concept about administrative decisions and their sorts | 98 |
| 6.2. Process of acceptance of rational decisions | 98 |
| 6.3. The factors influencing decision-making process | 99 |
| 6.4. Concept about modelling. Decision-making models | 100 |
| 6.5. Methods of acceptance of administrative decisions | 102 |
| | 104 |
| 7. The information and communications in management system | |
| 7.1. Essence and sorts of communications. Influence of communications on management efficiency | 107 |
| 7.2. Elements and stages of communication process | 107 |
| 7.3. Sorts of communication parting layers | 109 |
| 7.4. Directions of perfection of communications | 111 |
| | 114 |

| | |
|---|-----|
| 8. Styles of a management | |
| | |
| 8.1. Traditional grading of management styles | |
| 8.2. Gradings of styles of a management within the limits of an administrative lattice of Blejka - Mutona | |
| | |
| 8.3. Models of adaptive style of a management | 115 |
| | 115 |
| | 117 |
| | 119 |
| 9. Social responsibility and ethics of management | |
| 9.1. A business role in society development | |
| | |
| 9.2. Social and legal responsibility | |
| 9.3. Ethics and modern management | |
| 9.4. Improvement of indicators этичности behaviour | 121 |
| | 121 |
| | 122 |
| | 123 |
| | 124 |
| 10. Formation of organizational culture | |
| 10.1. Essence and the maintenance of organizational culture | |
| 10.2. A type of organizational culture and its development | |
| ... | |
| 10.3. Influence of culture on efficiency of the organisation | 126 |
| | 126 |
| | 128 |
| | 130 |
| 11. Concept and the maintenance of enterprise management ... | |
| 11.1. Development of the theory and essence of business | |
| 11.2. Business as the phenomenon and process. Functions предпринимательства | |
| 11.3. Philosophy and business principles..... | |
| 11.4. Historical stages of development of business... .. | |
| 11.5. Lichnostno-professional qualities of the businessman | |

| | |
|---|-------------------|
| 12. Typology of enterprise activity | |
| 12.1. Concept and grading of types of business | |
| 12.2. Grading and the characteristic of sorts of enterprise activity | |
| | |
| 12.3. Enterprise activity on a securities market | |
| 12.4. Enterprise activity in the market of banking services | |
| | 12.5. Business in |
| the market of insurance services | |
| 12.6. Intermediary business | |
| 12.7. Franchajzingovaja activity | |
| 13. Features of management of the enterprises of various organizational-legal forms. | |
| 13.1. Individual business and simple association. | |
| 13.2. Economic association | |
| 13.3. Limited liability company | |
| 13.4. A society with additional responsibility | |
| 13.5. The open and closed joint-stock companies | |
| 13.6. Production co-operatives | |
| 13.7. The unitary enterprises | |
| 13.8. Associations of the enterprise organisations | |
| 14. Contractual relations in commercial activity | |
| 14.1. Concept and sorts of transactions. Commercial representation | |
| 14.2. Essence, sorts and an order of the conclusion of contracts | |
| 14.3. The contract of purchase and sale (delivery) and its maintenance | |
| | |
| 14.4. The foreign trade contract. Basic terms of delivery | |
| 14.5. A package of documents of the external economic delivery of the goods | |
| | |
| 15. A subject and the maintenance of strategic management | |
| 15.1. Essence of strategic management and its role in a guidance system of the enterprise | |
| 15.2. The maintenance and principles of strategic management | |
| 15.3. Historical stages of development of strategic management | |
| 15.4. Strategic management in the conditions of market economy | |

15. 5. Interrelation of strategic management with other disciplines
.....

16. Strategic process: concept, stages, tools...

- 16.1. Concept and stages of strategic process.
- 16.2. Formation of strategic vision, mission and the enterprise purposes
.....
- 16.3. The external strategic analysis
- 16.4. The internal analysis of activity of the enterprise
- 16.5. A choice of perspective strategy of development of the enterprise
....
- 16.6. System and levels of the strategic supervisory control
.....

17. Development of schools of strategic management...

- 17.1. Design school (designing, modelling)
- 17.2. Mapping out school
....
- 17.3. Positioning school
- 17.4. Business school
- 17.5. Когнитивная (informative) school
- 17.6. Training school
-
- 17.7. Power school
-
- 17.8. Culture school
-
- 17.9. Environment school
- 17.10. Configuration school
-

18. Base competitive strategy...

- 18.1. Strategy of leadership on the basis of costs
- 18.2. Strategy of differentiation or production individualization...
- 18.3. Strategy of the best cost (optimum costs)
- 18.4. Concentration strategy on a market alcove

19. Strategy of preservation (strengthening) of competitiveness...

- 19.1. Offensive strategy

| | |
|---|--|
| 19.2. Defensive strategy | |
| 19.3. Strategy of vertical integration | |
| 20. Diversification strategy | |
| 20.1. Introduction strategy in new branches | |
| 20.2. Strategy of a related diversification | |
| 20.3. Strategy of an unrelated diversification | |
| 20.4. Curling and liquidation strategy | |
| 20.5. Strategy of reorganisation or reduction of the company and portfolio re- structuring | |
| 20.6. Strategy of the international diversification | |
| 21. The gear of realisation of strategy | |
| 21.1. Actions for personnel maintenance of strategic process | |
| | |
| 21.2. Adaptation of organizational structure of management | |
| 21.3. Network structures in system of realisation of strategy. CALS-technologies | |
| 21.4. Development of electronic commerce and Internet-strategy in traditional branches | |
| 21.5. Creation and management of a trade mark | |
| 21.6. Perfection of the gear of stimulation and motivation of work | |
| | |
| 21.7. Development of organizational culture and leadership at management of strategy | |
| The literature | |
| | |

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